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By: **Senators Jones, DeGrange, Della, Hogan, Kasemeyer, Kramer, Lawlah,  
McFadden, and Munson**

Introduced and read first time: January 31, 2006

Assigned to: Budget and Taxation

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Committee Report: Favorable

Senate action: Adopted

Read second time: March 22, 2006

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Sales and Use Tax - Production Activity - Taxable Laundering Services**

3 FOR the purpose of altering the definition of "production activity" under the sales and  
4 use tax to include certain laundering, maintaining, or preparing of textile  
5 products in providing a certain taxable service; and generally relating to the  
6 sales and use taxation of certain commercial laundering services.

7 BY repealing and reenacting, with amendments,  
8 Article - Tax - General  
9 Section 11-101(f)(1)(iii) and (2)(ii)  
10 Annotated Code of Maryland  
11 (2004 Replacement Volume and 2005 Supplement)

12 BY repealing and reenacting, without amendments,  
13 Article - Tax - General  
14 Section 11-101(h)(3)(ii)2., (m)(2), and (n)(3)(ii)2. and 11-210(b)(1)  
15 Annotated Code of Maryland  
16 (2004 Replacement Volume and 2005 Supplement)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
18 MARYLAND, That the Laws of Maryland read as follows:

1 **Article - Tax - General**

2 11-101.

3 (f) (1) "Production activity" means:

4 (iii) 1. laundering, maintaining, or preparing textile products for  
5 rental; OR6 2. LAUNDERING, MAINTAINING, OR PREPARING TEXTILE  
7 PRODUCTS IN PROVIDING THE TAXABLE SERVICE OF COMMERCIAL CLEANING OR  
8 LAUNDERING OF TEXTILES FOR A BUYER WHO IS ENGAGED IN A BUSINESS THAT  
9 REQUIRES THE RECURRING SERVICE OF COMMERCIAL CLEANING OR LAUNDERING  
10 OF THE TEXTILES;

11 (2) "Production activity" does not include:

12 (ii) maintaining tangible personal property[, except] OTHER THAN  
13 textile products for rental and production machinery and equipment, EXCEPT FOR  
14 MAINTAINING TANGIBLE PERSONAL PROPERTY IN PROVIDING THE TAXABLE  
15 SERVICE OF COMMERCIAL CLEANING OR LAUNDERING OF TEXTILES FOR A BUYER  
16 WHO IS ENGAGED IN A BUSINESS THAT REQUIRES THE RECURRING SERVICE OF  
17 COMMERCIAL CLEANING OR LAUNDERING OF THE TEXTILES;

18 (h) (3) "Retail sale" does not include:

19 (ii) a sale of tangible personal property if the buyer intends to:

20 2. use or incorporate the tangible personal property in a  
21 production activity as a material or part of other tangible personal property to be  
22 produced for sale; or

23 (m) "Taxable service" means:

24 (2) commercial cleaning or laundering of textiles for a buyer who is  
25 engaged in a business that requires the recurring service of commercial cleaning or  
26 laundering of the textiles;

27 (n) (3) "Use" does not include:

28 (ii) an exercise of a right or power over tangible personal property  
29 acquired by a sale for use if the buyer intends to:30 2. use or incorporate the tangible personal property in a  
31 production activity as a material or part of other tangible personal property to be  
32 produced for sale; or

33 11-210.

34 (b) The sales and use tax does not apply to a sale of:

1           (1)       tangible personal property used directly and predominantly in a  
2 production activity at any stage of operation on the production activity site from the  
3 handling of raw material or components to the movement of the finished product, if  
4 the tangible personal property is not installed so that it becomes real property;

5       SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take  
6 effect July 1, 2006.