

Department of Legislative Services
Maryland General Assembly
2007 Special Session

FISCAL AND POLICY NOTE

House Bill 9
Ways and Means

(Delegate Smigiel, *et al.*)

Sales and Use Tax - Payment of Tax by Seller

This bill authorizes vendors to assume or absorb all or any part of the sales and use tax imposed on a retail sale or use and to pay that tax on behalf of the buyer. It repeals the prohibition against a vendor advertising, stating, or otherwise holding out that the vendor will assume or absorb, will not add to the taxable price, or will refund any part of the sales and use tax imposed on a retail sale or use.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: None. The bill could result in the shifting of State sales tax payments from the buyer to the seller; however, the total amount of State sales tax collections would remain the same.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Vendors are prohibited from directly or indirectly advertising, stating, or otherwise holding out that any part of the sales and use tax • will be assumed or absorbed by the vendor; • will not be added to the taxable price of tangible personal property or a taxable service; or • will be refunded if added to the taxable price of tangible personal property or a taxable service.

Background: The State sales and use tax is the second largest source of general fund revenue and is estimated to total \$3.5 billion in fiscal 2008 and \$3.7 billion in fiscal 2009.

The tax is collected from purchasers at the time of sale or, in the case of out-of-state sales, when the use, storage, or consumption becomes subject to the tax. Vendors who have collected the tax, and purchasers who have not paid the tax to vendors, are required to remit the tax to the Comptroller by the twentieth day of the month following the month in which the sale or use occurred. The Comptroller is authorized to provide for less frequent filing schedules where circumstances warrant. In order to cover the expense of collection, persons filing timely returns are allowed to take a vendor credit against the gross tax remitted in an amount equal to 1.2% of the first \$6,000 collected and 0.9% of the excess.

Additional Information

Prior Introductions: This bill was introduced as HB 1413 in the 2007 regular session and referred to the House Rules and Executive Nominations Committee, where no action was taken.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - October 31, 2007
mcp/hlb

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