

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 622
Budget and Taxation

(Senator King, *et al.*)

Streamlined Sales and Use Tax Agreement

This bill repeals a provision of law that makes the State's adoption of the Streamlined Sales and Use Tax Agreement contingent on the enactment by the U.S. Congress of legislation consenting to the Agreement. The Comptroller must prepare and submit draft legislation and proposed regulations relating to the implementation of the Agreement to the Governor, the Senate Budget and Taxation Committee, and the House Ways and Means Committee by October 1, 2009.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: None. The bill's requirements can be handled by the Comptroller's Office with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 513 of 2004 adopted the Streamlined Sales and Use Tax Agreement as adopted by the Streamlined Sales and Use Tax Project on November 12, 2002, contingent on the enactment of both specified trigger legislation by the U.S. Congress and conforming legislation by the General Assembly.

Specifically, the legislation stated that the adoption of the Agreement by the State of Maryland was contingent on the enactment of legislation by the U.S. Congress consenting to the Agreement and authorizing states that are parties to the Agreement to require remote sellers to collect and remit sales and use taxes of those states.

Within 90 days of enactment of that legislation by Congress, the Comptroller is required to submit to the Governor and the General Assembly proposed regulations and draft legislation that identify and implement any changes in State laws and regulations that would be required.

Notwithstanding legislation enacted by Congress, the State cannot implement the Agreement absent additional legislation enacted by the General Assembly.

Background: The Streamlined Sales Tax Project was organized in March of 2000 as an effort of state governments, with assistance from local governments and the private sector to simplify and modernize sales and use tax collection and administration. The main motivators of the effort were the National Conference of State Legislatures, the National Governor's Association, the Federation of Tax Administrators, and the Multistate Tax Commission. The stated mission of the project was to develop measures to design, test, and implement a sales and use tax system that radically simplified sales and use taxes. The goal of the project was to provide states with a system of which the key features included: (1) uniform definitions; (2) rate simplification; (3) state level administration; (4) uniform sourcing rules; (5) simplified exemption administration; (6) uniform audit procedures; and (7) state funding for the system.

Chapter 311 of 2003 required the Comptroller to submit a report that identified any changes in State statutes, regulations, or policies that would need to be made in order to bring Maryland into compliance with the Streamlined Sales Tax Agreement as adopted November 12, 2002. This report was issued November 17, 2003.

In its November 2003 report, the Comptroller indicated that a significant number of changes would need to be made to Maryland's sales and use tax law in order to bring the State into compliance with the Agreement. Some of the changes are minor, while some have significant operational, fiscal, and policy implications.

It was estimated that these changes could result in a significant loss of State revenue. The most significant change with regards to revenue loss has to do with the State's rounding rule. The Agreement requires a method of rounding where the tax is rounded up to the next cent whenever the third decimal place is greater than four. Maryland is one of only a few states that do not do this. Maryland's sales and use tax is calculated using a bracket system that always rounds up.

The bill, in effect, adopts the Streamlined Sales and Use Tax Agreement, by repealing the contingency language of current law which requires an act by the U.S. Congress prior to Maryland's adoption of the agreement. It is anticipated that the General Assembly will take up legislation in future sessions related to the draft regulations and legislation that will be submitted by the Comptroller later this year.

Additional Information

Prior Introductions: None.

Cross File: HB 337 (Delegate Hixson, *et al.*) - Ways and Means.) - Budget and Taxation.

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

Fiscal Note History: First Reader - February 16, 2009
mcp/hlb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510