

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 1081

(Senators DeGrange and Garagiola)

Budget and Taxation

Ways and Means

Rebate Programs for Retail Sales - Collection of Sales and Use Tax

This bill provides that prior to a State agency issuing or authorizing a rebate to reduce the cost of retail sales of household appliances under a program to promote energy efficiency, the State agency or nongovernment entity must require the buyer to certify that the household appliance was purchased in the State or the applicable State sales and use tax was paid.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: None. To the extent rebate programs are used, State agencies can handle the bill's requirements with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The sales and use tax is imposed on (1) the purchase of goods sold in Maryland; (2) the use, storage, or consumption in Maryland of tangible personal property purchased outside the State; and (3) certain services defined as taxable services. Vendors who are engaged in business in the State are required to collect the tax from the purchaser.

The tax is to be 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.

Background: The sales and use tax is the State's second largest source of general fund revenue accounting for \$3.5 billion in fiscal 2010 and \$3.7 billion in fiscal 2011, according to the December 2009 revenue forecast. In addition, the Transportation Trust Fund is projected to receive \$0.2 billion in sales and use tax revenues in both fiscal 2010 and 2011. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

Exhibit 1
Sales and Use Tax Rates in Maryland and Surrounding States

Delaware	0%
District of Columbia	5.75%
Maryland	6%
Pennsylvania	6% plus 1% in certain local jurisdictions; 0% sales tax on clothing
Virginia	5%; 2.5% for food, both rates include 1% for local jurisdictions
West Virginia	6%

State Fiscal Effect: The Maryland Energy Administration (MEA) is expected to begin a \$5.4 million rebate program for the purchase of certain energy efficient appliances in April 2010. Under the program, taxpayers will be eligible for the following rebates: (1) \$300 for an Energy Star electric heat pump; (2) \$100 for a super-efficient clothes washer; and (3) \$50 for a super-efficient refrigerator. The funding for the program is through a grant from the federal Department of Energy under the American Recovery and Reinvestment Act of 2009.

The Maryland Retailers Association has expressed concern that stores near the State's borders, particularly on the Eastern Shore, will be at a competitive disadvantage because Delaware does not have a state sales tax. However, as noted, State law requires that Maryland sales and use tax be paid regardless of whether the purchase is made in

Maryland or outside of the State. MEA advises that in order for purchases to be eligible for the rebate, they must be made either at a Maryland retailer or online and purchasers must submit all relevant documentation, including receipts to receive the rebate.

The bill will require State agencies, beginning July 1, 2010, to verify whether or not the State sales and use tax has been paid and/or collected, prior to issuing any type of rebate. Such verifications can be done with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Business and Economic Development; Department of Budget and Management; Department of Natural Resources; Maryland State Department of Education; Maryland Department of the Environment; Maryland Energy Administration; Department of General Services; Maryland Higher Education Commission; Department of Disabilities; Department of Health and Mental Hygiene; Maryland Insurance Administration; Comptroller's Office; Department of State Police; Maryland Department of Aging; Department of Public Safety and Correctional Services; Maryland Department of Transportation; University System of Maryland; Department of Veterans Affairs; Department of Legislative Services.

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