

Chapter 598

(House Bill 918)

AN ACT concerning

Sales and Use Tax – Alcoholic Beverages – Calculation of Tax

FOR the purpose of ~~altering the definition of “taxable price” under the sales and use tax to include a mandatory gratuity charge or service charge in the nature of a tip for serving certain items to a group containing at least a certain number of individuals;~~ altering the sales and use tax rate for a mandatory gratuity charge or service charge in the nature of a tip under certain circumstances; modifying the calculation of the sales and use tax rate applicable to charges for labor, materials, or property used in connection with the sale of an alcoholic beverage; and generally relating to the sales and use tax and alcoholic beverages.

~~BY repealing and reenacting, without amendments,
Article – Tax – General
Section 11-101(l)(1)
Annotated Code of Maryland
(2010 Replacement Volume and 2011 Supplement)~~

BY adding to
Article – Tax – General
Section ~~11-101(l)(5)~~ and 11-104(h)
Annotated Code of Maryland
(2010 Replacement Volume and 2011 Supplement)

BY repealing and reenacting, with amendments,
Article – Tax – General
Section 11-104(g)
Annotated Code of Maryland
(2010 Replacement Volume and 2011 Supplement)

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

Article – Tax – General

~~11-101.~~

~~(1)~~ (1) “Taxable price” means the value, in money, of the consideration of any kind that is paid, delivered, payable, or deliverable by a buyer to a vendor in the

~~consummation and complete performance of a sale without deduction for any expense or cost, including the cost of:~~

- ~~(i) any labor or service rendered;~~
- ~~(ii) any material used; or~~
- ~~(iii) any property sold.~~

~~(5) "TAXABLE PRICE" INCLUDES A MANDATORY GRATUITY CHARGE OR SERVICE CHARGE IN THE NATURE OF A TIP FOR SERVING FOOD OR ANY TYPE OF BEVERAGE TO A GROUP OF 11 OR MORE INDIVIDUALS.~~

11-104.

(g) The sales and use tax rate for the sale of an alcoholic beverage, as defined in § 5-101 of this article, is:

(1) 9% of the [taxable price of] **CHARGE FOR** the alcoholic beverage;
AND

(2) **6% OF A CHARGE THAT IS MADE IN CONNECTION WITH THE SALE OF AN ALCOHOLIC BEVERAGE AND IS STATED AS A SEPARATE ITEM OF THE CONSIDERATION AND MADE KNOWN TO THE BUYER AT THE TIME OF SALE FOR:**

- (I) ANY LABOR OR SERVICE RENDERED;
- (II) ANY MATERIAL USED; OR
- (III) ANY PROPERTY SOLD.

(H) **THE SALES AND USE TAX RATE FOR A MANDATORY GRATUITY OR SERVICE CHARGE IN THE NATURE OF A TIP FOR SERVING FOOD OR ANY TYPE OF BEVERAGE TO A GROUP OF ~~11 OR MORE~~ MORE THAN 10 INDIVIDUALS IS 6%.**

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2012.

Approved by the Governor, May 22, 2012.