

Maryland Sales & Use Tax Bulletin 00-1

2000 Changes in the Sales & Use Tax Law

The 2000 Maryland General Assembly enacted the following changes in the sales and use tax law which are effective July 1, 2000, unless otherwise stated below.

Film Production Activity: An exemption has been created for a sale of tangible personal property or a taxable service used directly in connection with a film production activity by a film producer or production company certified by the Department of Business and Economic Development.

Film production activity is defined to mean the production or postproduction of film or video projects including feature films, television projects, commercials, corporate films, infomercials, music videos, or other projects for which the producer or production company will be compensated, and which are intended for nationwide commercial distribution.

Film production activity includes the production or postproduction of digital, animation, and multimedia projects. Film production activity does not include production or postproduction of student films or noncommercial personal videos. It also does not include any activity not necessary to and undertaken directly and exclusively for the making of a master film, tape, or image.

Tangible personal property or taxable service used directly in connection with a film production activity includes:

1. camera equipment and supplies
2. film and tape
3. lighting and stage equipment and supplies
4. sound equipment and supplies
5. recording equipment and supplies
6. costumes, wardrobes, and materials to construct them
7. props, scenery, and materials to construct them
8. design supplies and equipment
9. drafting supplies and equipment
10. special effects supplies and equipment
11. short-term vehicle rentals, and
12. fabrication, printing, or production of scripts, storyboards, costumes, wardrobes, props, scenery, or special effects.

The Department of Business and Economic Development will issue certificates to qualifying film producers and production companies. These certificates will have an effective date and an expiration date. Vendors making sales to these qualifying taxpayers should obtain a copy of the certificate for their files.

Tax Free Week: The General Assembly has designated the week from August 10, 2001, through August 16, 2001, as a tax-free week for back-to-school shopping in Maryland. During this week, there is an exemption from the sales tax for the sale of any item of clothing or footwear, excluding accessory items, if the taxable price of the individual item of clothing or footwear is less than \$100.

Accessory items are not included in this exemption and are defined to include jewelry, watches, watchbands, handbags, handkerchiefs, umbrellas, scarves, ties, headbands and belt buckles.

The Comptroller will be providing more detailed information to both retailers and the general public on the implementation of this tax free week in 2001.

Clean Energy Incentive Act: The General Assembly has enacted exemptions from the sales and use tax for sales of certain electric appliances that meet or exceed the applicable energy star efficiency requirements developed by the United States Environmental Protection Agency and the United States Department of Energy. These include:

13. a clothes washer purchased on or after July 1, 2000, but before July 1, 2003
14. a room air conditioner purchased on or after January 1, 2001, but before July 1, 2004, or
15. a standard size refrigerator purchased on or after July 1, 2001, but before July 1, 2004. In addition, the sales and use tax will not apply to the sale, on or before July 1, 2004 of the following:
 1. a fuel cell that generates electricity and heat using an electrochemical process, has an electricity-only generation efficiency greater than 35%, and has a generating capacity of at least 2 kilowatts.
 2. A natural gas heat pump that has a coefficient of performance of at least 1.25 for heating and at least 0.70 for cooling
 3. An electric heat pump hot water heater that yields an energy factor of at least 1.7
 4. An electric heat pump that has a heating system performance factor of at least 7.5 and a cooling seasonal energy efficiency ratio of at least 13.5
 5. A central air conditioner that has a cooling seasonal energy efficiency ratio of at least 13.5, or
 6. An advanced natural gas water heater that has an energy factor of at least 0.65.

Digital Telecommunications Equipment: The tax does not apply to the sale, on or after January 1, 2000, through December 31, 2007, of machinery and equipment that

16. enables a television or radio station to originate and broadcast or to receive and broadcast digital signals, and
17. was purchased to comply with or to facilitate compliance with the Telecommunications Act of 1996, Public Law 104-104, 100 Stat. 56.

Taxpayers who have paid the tax on qualifying machinery and equipment purchased from January 1, 2000, through June 30, 2000, may file for a refund of the tax.

Tobacco Cessation Products: An exemption has been created for the sale of nicotine patches, nicotine gum, or any other product intended for use as an aid in tobacco use cessation and approved by the United States Food and Drug Administration for that purpose. This codifies an administrative interpretation that the sale of these products is tax exempt.

Flags: An exemption has been created for the sale of a prisoner of war or missing in action flag honoring and remembering military personnel who have served in the Armed Services of the United States.

Commercial Fishing: This law expands the exemption for the sale of fuel or repair parts for a commercial fishing vessel to include vessels used for other commercial fishing purposes, such as head boats and charter fishing boats.

Bulk Vending Products: An exemption has been created for the sale of tangible personal property through a bulk vending machine if the taxable price is 25 cents or less. A bulk vending machine is defined to mean a machine that contains unsorted merchandise and, when a coin is inserted, dispenses the unsorted merchandise in approximately equal portions at random and without selection by the customer.

Simplified tax system. This law authorizes the comptroller to work with other states to develop a pilot project for a voluntary multi-state, streamlined sales tax collection and administration system, primarily dealing with sales over the Internet, subject to legislative approval.

Production Exemption: During the 1997 Session, the General Assembly broadened the definition of property used in a production activity, phasing in this broadened definition as a credit over two years.

Effective July 1, 2000, purchases of machinery and equipment covered by the legislation become exempt from the sales and use tax, and businesses no longer need to claim the credit or file for refund. Businesses may continue to claim any credits to which they are entitled on their sales tax reports or by filing claims for refunds.