State of Maryland
Comptroller of the Treasury

Compliance Division
301 West Preston Street
Baltimore, Maryland 21201-2383

William Donald Schaefer
Comptroller

Robert L. Swann
Stephen M. Cordi
Deputy Comptrollers

Linda L. Tanton
Director

Charles R. Townsend
James T. Loftus
Assistant Directors

July 20, 1999

Ms. Rosemarie Dunn
GSA Smart Pay Program
U.S. General Services Administration
Federal Supply Service
Services Acquisition Center (FCX)
1941 Jefferson Davis Highway
Arlington, Virginia 22202

Dear Ms. Dunn:

You had requested that we provide a letter stating our position as to sales tax charges on purchases made with credit cards.

Maryland exempts purchases made with a credit card if the charges are billed directly to the federal government. If the charges are billed to the cardholder, the purchases are subject to the tax the same way as they would be in any other situation.

Charges for all purchases other than travel are billed directly to the federal government and are exempt from the sales tax. Travel charges, i.e.: air fare, lodging accommodations, rental cars, meals, etc. may be billed directly to the federal government or the cardholder. Merchants must make a determination based on the sixth digit of the account number. If the sixth digit is "0", "6", "7", "8" or "9", the card is direct billed and the transactions are exempt from the tax. If the sixth digit is "1", "2", "3" or "4", the card is billed to the cardholder and the transactions are taxable.

Maryland will not attempt to further address cards issued by the Bureau of Reclamation. The guidelines outlined above will apply to cards issued by the Bureau of Reclamation as well.

Telephone: (410) 767-1555

Toll free: 1-888-674-0020 • fax: 410-767-1310 • for the hearing impaired: MRS 1-800-735-2258 • TDD 410-767-1967 • EOE

If you have any further questions, please call me.

Sincerely,

James T. Loftus

JTL:cjn

Enclosure

Maryland Sales and Use *TAX FACTS*

A newsletter for sales and use tax licensees

July 1999 - June 2000

William Donald Schaefer
Comptroller of the Treasury

Serving the people of Maryland

Online check for tax-free sales

A new feature - the first of its kind in the nation - on the comptroller's website (**www.marylandtaxes.com**) makes it easier for retailers to verify numbers on resale certificates or exemption cards 24 hours a day, seven days a week. The information is updated every week night on this online service.

When you select "sales tax exemption" from the "web services" box on the comptroller's home page, it takes you to an online verification screen.

There you can enter the customer's Maryland Sales and Use Tax Registration Number and the system will tell you whether or not the number is valid for resale exemption. If the number is valid, you can print a resale certificate for the customer to sign. The system will ask you to enter your own name at the prompt. The online system also gives sellers an easy way to update their resale certificate files.

You can also verify a non-profit exemption number. If the number is valid, you may want to print a copy of the screen to keep with the records of the sale.

Another option allows you to select a list of "direct pay permit" holders, businesses which are authorized to claim exemption at the point of sale and self-assess the tax. State law has not authorized the issuance of new "direct pay permits" since 1992.

Tax on out-of-state purchases

Maryland's 5% sales and use tax applies to all purchases of tangible property that you possess and use in Maryland, no matter where or how you purchased it. Whether you buy an item directly, through mail order, or by calling a toll-free number, it's taxable in Maryland to the extent that it wasn't taxed in the state of purchase and if the item would have been subject to tax if purchased in Maryland. If you have a sales and use tax license, you should report out-of-state purchases on line 3 of the sales and use tax report. If you are not licensed, you should call Taxpayer Service Section and request Consumer's Use Tax Form ST118A. For more information on the taxability of out-of-state purchases, request Business Tax Tip #3, *Sales and use tax on out-of-state purchases.*

New federal credit cards

The federal government has substantially changed its credit card program. The IMPAC purchase cards, the American Express/Discover travel cards and the Wright Express fleet cards are no longer in use. The new cards are Voyager, MasterCard and Visa.

Charges for all purchases other than travel are billed directly to the federal government and are exempt from the sales tax. Travel charges, such as air fare, lodging accommodations, rental cars, meals, etc. may be billed directly to the federal government or to the cardholder. Merchants must make a determination based on the sixth digit of the account number. If the sixth digit is "0," "6," "7," "8" or "9," the card is direct billed and the transactions are exempt from the tax. If the sixth digit is "1," "2," "3" or "4," the card is billed to the cardholder and the transactions are taxable.

Production exemptions

The law expanding production exemptions will enter its second phase beginning July 1, 1999. Information on claiming the necessary credits between July 1, 1998, and June 30, 2000, appears in Sales and Use Tax Bulletins 98-1 and 99-1. Beginning July 1, 2000, purchases of machinery and equipment covered by this legislation become totally exempt from the sales and use tax, and businesses won't need to claim the credit or file for a refund. Business tax tip #9, *Sales and use tax exemption for production activities*, has been revised to reflect the new changes, and is available on the comptroller's website and Forms-by-Fax system.

Visit the comptroller's website (**www.marylandtaxes.com**) and fill out the **Combined Registration Application**, the one-stop system, to set up various tax accounts. Our website is interactive and you can complete and submit your application 24 hours a day, seven days a week.

(over, please)

In brief . . .

...File by phone: More than half of the revenue the Comptroller's Office collects arrives electronically, without paperwork from the taxpayer. You can pay sales and use tax and employer withholding taxes by making a free telephone call that generates an electronic funds transfer and also sends the tax report electronically. If you are already participating in the IRS electronic payment system, join the Maryland program. For additional information, call 410-260-7601.

...Taxes are trust funds: Taxes which you withhold from your employees' paychecks or collect from customers that you are required to remit to the state and federal governments are trust funds. These funds are held in trust for the benefit of the employee or the state, and it is your fiduciary duty to remit them to the relevant authority. Willful failure to comply with your fiduciary duty can amount to commission of fraud.

...If you are making taxable sales at roadside or from a motor vehicle, you must display a transient vendor license. These licenses are renewed quarterly and mailed to licensees who are current with all state tax requirements. Failure to display the transient vendor license is subject to a fine up to $2,500. For information on this license, contact Taxpayer Service or request the license tip on transient vendor license.

...Know your account number and use it in all your correspondence about your sales and use tax account, and on checks you remit.

...When you buy an existing business, you are liable for a 5% bulk sales and use tax on the price of tangible personal property, such as furniture and fixtures. For information on bulk sales, contact 410-767-1579.

Phone Help:

If you need information about registration for different accounts...	**Central Registration** 410-767-1313
If you want to register by fax..	**Central Registration fax** 410-767-1571
If you have general questions about sales and use tax... If you can't figure out how to fill out your return... If you lose your coupon book... or don't receive a return on time... If you are requesting forms or publications... To register by phone...	**Taxpayer Service** 410-767-1300 in the Baltimore area or 1-800-492-1751 from elsewhere in Maryland
If you get a statement of account showing that you've overpaid and you want to know how to get a refund...	**Refunds** 410-767-1538
For information about special business licenses...	**License Bureau** 410-767-1550
Forms-by-Fax...	410-974-FAXX (3299)
Telefile no tax due returns...	410-260-7225

We're here to help

Business tax tips: The following publications will answer frequently asked questions about your account and keep you up-to-date. Call Taxpayer Service for free copies of any that apply to you, or use our Forms-by-Fax system to receive copies by calling 410-974-FAXX (3299). The four-digit number at the end of the document title is the Forms-by-Fax code number. These and other business publications and tax tips are on index 2.

1 Preparing your sales and use tax return **(4001)**
2 What sales records do I need to keep? **(4002)**
3 Sales and use tax on out-of-state purchases **(4003)**
4 If you make purchases for resale **(4004)**
5 How are sales of food taxed in Maryland? **(4005)**
6 Retail sales involving exemption certificates **(4006)**
7 Are repairs to personal property taxable? **(4007)**
8 Computing Maryland's sales and use tax **(4008)**
9 Sales and use tax exemptions for production activities **(4009)**
10 Delinquent tax collections and you... **(4010)**
11 Sales and use tax exemptions for agriculture **(4011)**
12 Fabrication labor is subject to tax **(4012)**
13 Opening a new business in Maryland **(4013)**
14 When sales at flea markets are subject to tax **(4014)**
15 Direct debit, business taxes and you **(4015)**
16 Maryland's tire recycling fee and you **(4016)**
17 How to prepare your Maryland tire fee return **(4017)**
18 Contractors and Maryland taxes **(4018)**
19 Reporting unclaimed property **(4019)**
20 Computing admissions and amusement taxes **(4020)**
#21 Filling out the admissions and amusement tax return **(4021)**
#23 International Fuel Tax Agreement **(4023)**
#24 Admissions & amusement tax at recreational facilities **(4024)**

Other Publications:

A Brief Look at Maryland Taxes **(3001)**
Your Rights as a Maryland Taxpayer **(3003)**
License Tip - Transient vendor license **(4037)**
Production exemption notice **(4051)**
Local income tax/employers and employees **(3013)**
What you need to know about Maryland's use tax **(3018)**

For forms and publications:

E-Mail: taxhelp@comp.state.md.us
Forms-by-Fax: 410-974-FAXX (3299)
World Wide Web: www.marylandtaxes.com
Regulations on taxes collected by the State Comptroller are available on the comptroller's website

For the hearing impaired:

TTY users call via Maryland Relay at 711 in Maryland or **1-800-735-2258** from anywhere. TTY: **410-767-1967** (Baltimore metro area)
If you need a reasonable accommodation for a disability, please contact us before you visit.
If you need the information in this *Tax Facts* in an alternate format, contact the Office of Communications: 410-260-7995 (voice); 410-260-7157 (TTY)