

# Maryland Sales and Use Tax Information

by George Hamilton

**DISCLAIMER – The following discussion is provided as general information and not as tax advice. Questions should be directed to a tax professional or the Maryland Department of Taxation**

Many artists get tripped up on the details of sales and use tax.

**What is taxable:** The first thing to know is what is taxable. Art work whether paintings, prints, sculpture and such is subject to Maryland's Sales and Use tax at 6%. However, services if separately charged are not subject to the sales tax. So say you paint a huge work in 6 panels to be installed at a bank or other institution. Transporting and installing the work are not subject to Maryland's sales tax IF THE CHARGE IS SEPARATELY LISTED on the bill from the price of the paintings. This does not happen much for most artists, so mostly likely your art sales are taxable. If shipped to someone, and the shipping charges are stated separately on your invoice, they can be omitted from the taxable amount.

**Tax ID Number:** The first step is to get a Sales and Use Tax ID number, if you don't already have one. The easiest way to do this is to go on-line to the Maryland Department of Taxation and find the link to request a Tax ID Number. Normally when you sign up, they advise the frequency for filing Sales Tax returns. Generally, if your taxes due are less than \$700 each month (which would require \$11,666 in monthly sales), you file Sales and Use Tax returns quarterly on the 20<sup>th</sup> of the month after the end of each calendar quarter. Hence the first quarter (Jan-Mar) is due by April 20<sup>th</sup>. If your sales are sporadic, the state may notify you after several years to file semi-annually.

**Filing:** The State prefers that filing is done on line, using their bFile system at the State web site. You will need to create a Log In ID and password when first using bFile. They request your FEIN (federal tax number which is most likely your Social Security number) and your MD Tax ID Nr (CRN). Artists are only concerned with lines 1 and 2, gross sales and 6% tax due. If filing prior to the due date, claim your discount on line 8. If you made purchases on which the sales tax was not paid (see discussion below), then you enter these amounts on line 10. If you are late paying, there is a penalty plus interest on the amount that is owed.

**Paying:** When using bFile, you must pay with an authorized charge to a bank savings or checking account. This is set up when first signing up for bFile. It requires the bank routing number and account number, which can be found on your checks or bank statement. You can correct the bank account when filing using bFile. You can also file by paper and pay with a check, just don't be late.

**Complications:** So that is not too difficult. How can we run afoul of the Sales and Use Tax?

- **No tax due** – If you have no art sales during a quarter, no tax is due. BUT you must still file a return. This is easily done by phone at 410-260-7225. You get a printable confirmation that a “no tax due return” was filed.
- **Resale Certificates** – If you want to buy wholesale without sales tax, you need to provide a Resale Certificate to the wholesaler. There is no particular form for it, just a signed statement giving your business name and MD Tax ID Number. Similarly, if you sell art work to another

business which is a reseller, you should ask them for a Resale Certificate and don't report sales to them on your Sales Tax return.

- **What is the "Use" part in Sales and Use Tax?** – Another complication. Per the law, any end retail purchase must have a sales tax paid. So say you buy frames or canvas from a dealer in Georgia, and there is no sales tax charged. Per the law, a Maryland resident should include the value of these purchases on your Maryland Sales and Use Tax return (line 10). Also, if you are known to a wholesale vendor as a reseller, you may buy wholesale from them (no sales tax), since you collect the tax from the final retail transaction. However, if you purchase items for your own end use, in addition to items that you plan to resell, those personal use items go on line 10.
- **Out of State Sales** – Maryland sales tax is not due on items sold and delivered out-of-state. So if you sell a painting to someone from Pennsylvania and they pick it up here, the sale occurred in Maryland, and the MD tax is due. If you shipped it to them in PA, no Maryland tax is due, but a tax to Pennsylvania might be due. GETTING COMPLICATED! However, if you or your business has no physical presence in a state, sales tax is not normally due on sales shipped to that state. This is a huge topic for Internet sales, and there are efforts to require paying a tax on such sales. If you sell interstate, you may need tax advice.