

Maryland Sales Tax Holiday
August 2017
BACK TO SCHOOL

Summary

General Overview:

- The sales tax holiday will start on 12:01 a.m. on **Sunday, August 13, 2017** and end at midnight on **Saturday, August 19, 2017**.
- The holiday will provide sales tax relief on purchases of **clothing** and **footwear**.
- Additional information regarding the holiday can be found at:
<http://www.marylandtaxes.com/>

Clothing Exemption:

Clothing and footwear are eligible. A few examples of tax-free clothing and footwear items are sweaters, shirts, slacks, jeans, dresses, robes, underwear, belts, shoes, and boots priced at **\$100 or less**.

The exemption shall not apply to:

- Items that cost more than \$100.
- Accessories, including jewelry, watches, watchbands, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, belt buckles, and backpacks.
- Special clothing or footwear designed primarily for protective use and not for normal wear, such as football pads.

Guidelines:

Exemption Qualifications – Each qualifying article of clothing or footwear selling for \$100 or less will be exempt, regardless of how many items are sold at the same time. The first \$100 of a more expensive item is not tax free.

Articles Normally Sold as a Unit – Articles normally sold as a unit must be sold that way during the sales tax holiday. They cannot be priced separately and sold as individual items to qualify for the exemption. However, components normally priced as “separates” may

still be sold as separate articles and any piece that is \$100 or less will qualify for the exemption.

Sales of Sets Containing Exempt and Taxable Items – When exempt clothing or footwear is sold together with taxable merchandise as a set or single unit, the full price is subject to sales tax unless the price of the exempt clothing or footwear is separately stated.

When exempt clothing is sold in a set that also contains taxable merchandise as a free gift and no additional charge is made for the gift, the exempt clothing qualifies for the exemption.

Discounts and Coupons – If a retailer offers discounts to reduce the price of an eligible item to \$100 or less, the item will qualify for the exemption.

When retailers accept coupons as a part of the selling price of a taxable item, the value of the coupon is excluded from the tax as a cash discount, unless a third party reimburses the retailer for the amount of the coupon (a manufacturer's coupon).

Absorption of the Sales Tax – A vendor may assume or absorb all or any part of the sales and use tax on a retail sale and pay that tax on behalf of the buyer. The vendor must, however, continue to separately state the tax from the sales price at the time of the sale to the purchaser. If the vendor absorbs all or any part of the tax on the sale, the vendor shall apply the tax with the return that covers the period in which the vendor makes the sale.

Buy One Get One Free or for a Reduced Price – The total price of items advertised as “buy one get one free” or “buy one get one for a reduced price” cannot be averaged to qualify both items for the exemption. The application of the exemption depends on the actual price paid for the item.

Rebates – Rebates occur after the sale and do not affect the sales price of an item for purposes of the sales tax holiday period exemption.

Exchanges – If a customer buys an eligible item during the exemption period and later exchanges it for the same item (different size, color, etc.) tax is not due even if the exchange is made after the sales tax holiday period.

If a customer buys an eligible item during the exemption period and returns the item after that period for credit on the purchase of a different item, the sales tax applies to the sale of the newly purchased item even if it would have been eligible for the exemption during the sales tax holiday period.

If a customer buys an eligible item before the exemption period and returns it during that period for credit on the purchase of a different eligible item, sales tax is not due on the

sale of the new item if it is purchased during the sales tax holiday period. However, the credit cannot be used to reduce the price of an item costing more than \$100 to make it eligible for the exemption.

Returned Merchandise – For a 30-day period after the sales tax holiday period, when a customer returns an item purchased during the period that would have qualified for the exemption, retailers may not refund or credit the sales tax unless the customer provides a receipt or invoice showing tax was paid or unless the retailer can document that tax was paid on the specific item. This 30-day period is set solely to designate a time period during which the customer must provide documentation showing that sales tax was paid on returned merchandise. The 30-day period is not intended to change retailers' policies concerning the time period during which they will accept returns.

Online Internet Orders, Mail, Telephone, E-mail, and Custom Orders – A sale of tangible personal property occurs when title or possession of the property is transferred in exchange for consideration. Therefore, an eligible item may qualify for the exemption if the item is both paid for by the customer and delivered to the customer during the exemption period; or the customer orders and pays for the item and the retailer accepts the order during the exemption period for immediate shipment, even if delivery is made after the exemption period.

An order is for immediate shipment when the customer does not request delayed shipment, even if other factors, such as a backlog of orders or unavailable stock, cause the delay.

Shipping and Handling Charges – Separately stated shipping or delivery charges are not included in determining the sale price of otherwise eligible items.

However, a combined shipping and handling charge is legally considered as part of the sales price of an item, even if the combined charge is separately stated from the price of the item. These charges must be added to the price of eligible clothing or footwear to determine if the price of the item is \$100 or less.

If more than one item is shipped on a single invoice, the separately stated combined shipping and handling charge must be proportionately allocated to each item ordered and separately identified on the invoice, based on the price of each item.

Refunds – Retailers are encouraged to refund the tax to any customer who was charged the sales tax on an exempt item. Customers who were charged the tax by a retailer for exempt purchases should take their tax paid receipt to the retailer for refund.