



Frequently Asked Questions About Tax-Free Week

What items will be eligible for tax-free purchase during Shop Maryland week?

Certain clothing, footwear and accessories are eligible. Examples of tax-free clothing and footwear are sweaters, shirts, slacks, jeans, dresses, robes, underwear, belts, shoes and boots priced at \$100 or less. The first \$40 of a backpack/bookbag purchase is tax-exempt. A more detailed list is available on the Comptroller's Web site and in taxpayer service offices throughout Maryland.

Are any other items eligible for tax-free purchase during the tax-free period?

The Maryland General Assembly has only designated clothing, footwear and backpacks/bookbags as eligible items for this August tax-free period.

If I do not sell clothing and footwear that is priced at \$100 or less and eligible for tax-free purchase, can I participate as a vendor in tax-free week?

Only clothing and footwear that is priced at \$100 or less, and the first \$40 of a backpack/bookbag purchase are eligible for the exemption.

However, since a vendor may assume and absorb all or any part of the sales and use tax on a retail sale and pay that tax on behalf of the buyer, a vendor may choose to absorb and pay the sales and use tax on clothing and footwear priced greater than \$100.

In addition, vendors selling items other than clothing and footwear may choose to absorb and pay the sales and use tax on any sales that are subject to the Maryland sales and use tax.

However, vendors choosing to absorb and pay the sales and use tax must continue to separately state the tax from the sales price at the time of sale to the purchaser. If the vendor absorbs all or any part of the tax on the sale, the vendor shall pay the tax with the return that covers the period in which the vendor makes the sale.

Will any clothing items be taxable during Shop Maryland week?

Yes. Items that cost more than \$100 will be taxable. With the exception of backpacks/bookbags, all accessories, including jewelry, watches, watchbands, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, and belt buckles will be taxable. And special clothing or footwear designed primarily for protective use and not for normal wear, such as football pads, will be taxable.

If my total purchase of several items is more than \$100, will it still be tax-free?

Each qualifying article of clothing or footwear selling for \$100 less, or the first \$40 of a backpack/bookbag purchase, will be exempt, regardless of how many items are sold at the same time. For example, two \$60 sweaters sold at the same time are both exempt, even though the total purchase price is more than \$100.

Is the first \$100 of a more expensive item tax-free? No. If a suit costs \$110, sales tax is due on the entire \$110.

What if I buy a backpack/bookbag that costs more than \$40? The first \$40 is tax-exempt; any amount beyond the first \$40 is taxable.

Are online sales exempt?

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 tax-free period or the customer orders and pays for the item and the retailer accepts the order for immediate shipment, even if the item is delivered after the tax-free period ends.

The item will not qualify if the item is on back order or the retailer does not charge the customer until the item ships and the shipment occurs after the tax-free period ends.

Will clothing alterations be exempt during Shop Maryland week?

Alterations are taxable, even if you buy and pay for them at the same time you buy a piece of clothing that's exempt from the tax during the exempt period. For example, if you buy a pair of pants for \$90 and pay \$15 to have them altered, tax will be due on the alteration charge but not on the pants.

What about items I'd buy to make or repair clothes, such as fabric, buttons, zippers, etc?

These items, such as fabric, thread, yarn, buttons, snaps, hooks, and zippers, will be taxable.

If a suit costs \$180, can I ask the store to sell it to me as separates, so I can get the tax break?

No. Articles that are normally sold as a unit, such as a pair of shoes or a suit normally priced on a single price tag can't be priced separately during the tax-free period to avoid the sales tax.

If I use a department store coupon to reduce the price of a \$110 item to \$100 or less, do I have to pay the tax?

Retailers can issue discounts or coupons to reduce the sales price of an item to \$100 or less, which will qualify it for the exemption.

However, manufacturers' coupons, or any other coupons in which the retailer is reimbursed by a third party, are subtracted after the tax is levied, not before, so they wouldn't lower the price for tax purposes.

For example, if you buy a pair of shoes priced at \$110 with a retailer's coupon worth \$10 off, the \$10 is deducted prior to calculating the tax so that the final sales price of the shoes will be \$100, and they will qualify for the exemption. If you buy a pair of shoes for \$110 with a manufacturer's coupon for \$10 off, the taxable price of the shoes is \$110, and the \$10 is deducted after calculating the tax. This sale will not qualify for the exemption because the price of the shoes is over \$100 and the \$10 credit is treated as a form of consideration or payment toward the total price. Rebates don't affect the price of the item.

Suppose I get a rain check on an item during Shop Maryland Week but actually buy it after the tax-free week?

This sale will not be exempt. Eligible items you buy during that period will be exempt, no matter when the rain check was issued. But even if a rain check for an eligible item is issued during the tax-free period, items you buy with it aren't exempt after that period.

Do layaway purchases also qualify?

Yes, if a customer begins a layaway agreement during the Shop Maryland period any eligible items placed on layaway during that period will qualify for the exemption.

Example: A customer places ten qualifying items on layaway during the Shop Maryland period, but completes the layaway and received the merchandise after the period ended. The total purchase is exempt from tax.



What happens if I buy something tax-free during the tax-free period and have to exchange it after the tax-free period has ended?

If you are exchanging the item for the same item (in a different size or color, for example), no additional tax will be due.

If you return the item for credit on the purchase of a different item after the tax-free period, you must pay the full sales tax on the new item.

If you buy an item before the tax-free period and return it during the tax-free period and receive credit that you use to buy a different item of eligible clothing, no sales tax is due.

Suppose I buy a set that contains a tax-exempt item and a taxable item, such as a shirt and tie or a hat and scarf set. Is that tax-exempt?

Unless the items in a set are priced separately, the full price of the set is subject to the sales tax.

For example, if a boxed gift set with a shirt and tie is sold for a single price of \$80, the full price is taxable, even though the shirt would be tax exempt if it were sold separately.

If I sell a backpack or book bag for more than \$40, how am I to calculate the amount of sales tax that I am to charge my customer?

Maryland's 6% sales and use tax is due on the amount of the purchase price of a backpack or book bag that **exceeds** \$40. For example, if the price of a backpack or book bag is \$41, Maryland's 6% sales and use tax is due on \$1 and the vendor should charge their customer 6 cents.

Vendors using electronic point of sale register systems should arrange to have their systems programmed to handle this special situation to allow for the register to properly calculate the amount of sales and use tax due. Vendors who are unable to reprogram their register systems can allow their customers to take advantage of the tax-free benefit for backpacks and book bags by manually allowing customers a credit against the tax due equal to the amount of sales tax on \$40 which is \$2.40. It is the responsibility of the vendor to document and account for any manual credit for sales tax allowed.

Customers who may have improperly paid the full amount of sales and use on the non-taxable portion of the purchase price of a backpack or book bag during the Shop Maryland Tax-Free Week may seek a refund of the tax paid by completing a sales and use tax refund request. The refund request form can be found at http://forms.marylandtaxes.com/current_forms/ST-205.pdf.



Where can I get more information on Shop Maryland Tax-Free Week?

Call 410-260-7300 or toll-free 1-800-MDTAXES

E-mail: taxhelp@comp.state.md.us

Visit the Comptroller's Website at www.marylandtaxes.com

Hearing impaired may call Maryland Relay at 711