LAW ENFORCEMENT

"If you buy a product out of state simply to avoid paying the sales and use tax, you are putting Maryland businesses at a disadvantage," announced Comptroller William Donald Schaefer in May, 1999, as he began a major enforcement action to collect sales taxes owed on large out-of-state purchases brought into Maryland.

In effect since 1947, Maryland's five percent sales and use tax applies to all tangible property that is consumed, possessed, stored or used in Maryland, regardless of where it is purchased. Items purchased out of state—either directly, through mail order, by telephone or over the Internet—are taxable in Maryland to the extent that they were not taxed at the Maryland sales tax rate at the place of purchase. Maryland is one of the 45 states that impose this use tax on out-of-state purchases.

The Comptroller's Field Enforcement Division began checking truck manifests for any liability under Maryland's five percent sales and use tax law. Within weeks, hundreds of taxpayers paid the use tax.

Keeping tabs. Enforcement agent Mark Brandenburg (right) from the State Comptroller's Office reviews truck manifests to spot purchases from out-of-state vendors that may be liable under Maryland's sales and use tax.

During fiscal year 1999, the Comptroller and tax officials in Delaware launched the nation's first program to use tax refunds owed by one state to pay tax liabilities due in another state. Maryland received nearly $153,000 that Delaware withheld from its residents who owed taxes to Maryland, while Maryland returned to Delaware approximately $164,000 in refunds offset from Maryland residents with unpaid Delaware tax liabilities.