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COMPUTER SERVICES TAX DRAFT REGULATIONS ISSUED

On Monday, March 17, 2008, the office of the Comptroller released draft regulations regarding the applicability of the sales and use tax to the sale of computer services. Due to several pending bills in the Maryland General Assembly, the office of the Comptroller will not issue official proposed regulations until after the close of the current legislative session. However, given the complex nature of this new tax and its wide-reaching implications, the draft regulations should be reviewed to determine the potential impact of the tax on your clients and their businesses.

Absent further legislative action, the sales and use tax on computer services will take effect July 1, 2008. Individuals and businesses who receive the benefit of computer services in Maryland will be subject to the tax. In addition, all Maryland vendors and out-of-state vendors with a presence in Maryland will need to obtain a sales and use tax license. **If a vendor does not charge the tax, to the buyer, the buyer will be responsible for remitting the use tax to the Comptroller.** If a buyer purchases computer services from an out-of-state vendor, and the benefit of such computer service is received in Maryland, the service will still be subject to tax.

The sales tax applies and must be collected and remitted at the time a sale is made, regardless of the time of payment or time of delivery. Contracts for computer services entered into prior to July 1, 2008 are exempt from the tax if the amount charged is due and payable *before* July 1, 2008.

If applicable, further analysis of the sales and use tax on computer services will be issued when the current session of the Maryland General Assembly has concluded.

The entire text of these draft regulations may be viewed by visiting the Comptroller's website at:

http://www.marylandtaxes.com/special_session/sut_computerservices.asp.

This article is not intended to be and should not be taken as legal advice, and is not intended to and does not create any attorney-client relationship. If you have any questions about the impact of the Computer Services Tax, please contact Jeff Markowitz of the Tax and Wealth Group.

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