



*A fact sheet about*

# SHOP MARYLAND WEEK

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*Marylanders will get a break from state sales tax on clothing and footwear items priced \$100 or less from August 8 through August 14, 2010. During Shop Maryland Week, qualifying clothing and footwear priced at \$100 or less will be exempt from Maryland's 6 percent sales tax.*

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

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. A more detailed list will be available on the Comptroller's Web site and in taxpayer service offices throughout Maryland closer to the 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?**

No. Since only clothing and footwear that is priced at \$100 or less are eligible for the exemption, the tax-free week does not apply to your sales.

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 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. Accessories, including jewelry, watches, watchbands, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, belt buckles, and backpacks 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 or less 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.

**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 final sales price of the shoes will be \$100, and they will qualify for the exemption.

If you buy a pair of shoes for \$111 with a manufacturer's coupon for \$10 off, the consideration paid for the shoes totals \$101, and will not qualify for the exemption. 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?**

No. 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 the layaway starts during the period of August 8 through 14, any eligible items will qualify for the exemption.

**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 was sold separately.



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**Where can I get more information on Shop Maryland Week?**

Call 410-260-7980 or toll-free 1-800-MDTAXES

E-mail: [shopmaryland@comp.state.md.us](mailto:shopmaryland@comp.state.md.us)

Visit the Comptroller's Web site at [www.marylandtaxes.com](http://www.marylandtaxes.com)

Hearing impaired may call Maryland Relay at 711