

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 449 (Delegate Gordon, *et al.*)
Ways and Means

Sales and Use Tax - Taxable Services - Detective Services

This bill exempts from the sales and use tax a detective or investigative service that is not provided as part of a security service.

The bill is effective July 1, 1997.

Fiscal Summary

State Effect: General fund revenues would decrease by \$1.04 million in FY 1998. The decrease would grow by 5% annually. Expenditures would not be affected.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	(\$1.04)	(\$1.09)	(\$1.14)	(\$1.20)	(\$1.26)
GF Expenditures	0	0	0	0	0
Net Effect	(\$1.04)	(\$1.09)	(\$1.14)	(\$1.20)	(\$1.26)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Small Business Effect: Meaningful effect on small businesses as discussed below.

Fiscal Analysis

State Revenues: Based on a survey conducted by the Comptroller's Office of detective agencies and security service firms, detective services will generate approximately \$1.04 million in sales tax revenue in fiscal 1998. Growth is assumed to be 5% annually. It is estimated that the amount of detective work currently utilized in combination with security guard services is minimal.

Small Business Effect: Approximately 80% of detective services are small businesses in Maryland. Exempting detective services from the sales tax would lower the price of such services by 5% and could cause greater sales. In addition, there may be an incentive for organizations who utilize detective services to bill them separately from security services or to obtain the services from different agencies to avoid paying sales tax.

Information Source(s): Office of the Comptroller (Compliance Division), Department of Fiscal Services

Fiscal Note History: First Reader - February 12, 1997

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