

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

Senate Bill 447 (Senator Ready, *et al.*)
 Budget and Taxation

Sales and Use Tax - Tax-Free Periods - Hunting and Sporting Goods

This bill establishes a seven-day sales tax-free period from the third Sunday of April through the following Saturday for the sale of specified firearms, fishing supplies, and hunting supplies if the taxable price of each item is \$1,000 or less.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$923,800 in FY 2016 and by \$1.0 million in FY 2020. Expenditures are not affected.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	(\$923,800)	(\$946,900)	(\$970,600)	(\$994,800)	(\$1,019,700)
Expenditure	0	0	0	0	0
Net Effect	(\$923,800)	(\$946,900)	(\$970,600)	(\$994,800)	(\$1,019,700)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: Firearms are defined as handguns, rifles, or shotguns. Fishing supplies are defined as tangible personal property used in fishing, including rods, reels, fishing apparel, and fishing tackle. Fishing supplies do not include equipment used for commercial fishing, boats, or motor vehicles. Hunting supplies are defined as tangible personal

property used for hunting, including accessories, bows, crossbows, arrows, hunting apparel, hunting footwear, bags, float tubes, binoculars, firearm and archery cases, firearm and archery accessories, range finders, knives, decoys, tree stands, blinds, chairs, optics, or hearing protection and enhancements. Hunting supplies do not include animals used for hunting, boats, or motor vehicles.

Current Law: The sales and use tax is the State’s second largest source of general fund revenue, accounting for approximately \$4.3 billion in fiscal 2015 and \$4.5 billion in fiscal 2016, according to the December 2014 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

Exhibit 1
Sales and Use Tax Rates in Maryland and Surrounding States

Delaware	0%
District of Columbia	5.75%; 10% for liquor sold for off-the-premises consumption and restaurant meals, liquor for consumption on the premises, and rental vehicles
Maryland	6% 9% for alcoholic beverages
Pennsylvania	6% plus 1% or 2% in certain local jurisdictions
Virginia*	5.3%; 2.5% for food, both rates include 1% for local jurisdictions
West Virginia	6%; plus 0.5% or 1% in certain municipalities

*An additional State tax of 0.7% is imposed on sales in localities in Northern Virginia and the Hampton Roads region.

The following is a brief history of tax-free holidays in Maryland:

- Chapter 576 of 2000 exempted from the sales and use tax the sale of clothing or footwear (except accessories) for the week of August 10 through August 16, 2001, if the taxable price of the item of clothing or footwear was less than \$100.
- Chapter 191 of 2005 exempted from the sales and use tax the sale of clothing or footwear (except accessories) for the period of August 23 through August 27, 2006, if the taxable price of the item of clothing or footwear was \$100 or less.

- Chapter 6 of the 2007 special session created two annual sales tax-free periods: one in February for the purchase of specified Energy Star products or solar hot water heaters and one in August for the purchase of any item of clothing or footwear, excluding accessories, if the taxable price of the item of clothing or footwear is \$100 or less.

The two current sales tax-free periods are estimated to reduce general fund revenues by a total of \$6.9 million in fiscal 2015 and by \$7.1 million in fiscal 2016.

State Fiscal Effect: General fund revenues decrease by approximately \$923,800 in fiscal 2016 from the sales tax holiday for hunting and fishing equipment. This estimate is based on the following facts and assumptions:

- according to data from a survey by the U.S. Fish and Wildlife Service, Americans spent \$6.3 billion on various hunting equipment and \$6.5 billion on various fishing equipment in 2011;
- hunting and fishing equipment sales in Maryland are proportionate to its share of the U.S. population (1.88%);
- sales of hunting and fishing equipment will increase by 2.5% annually; and
- three weeks of hunting and fishing equipment sales will occur during the seven-day sales tax holiday.

To the extent that sales data and purchasing behavior during the sales tax holiday varies from the estimate, the effect on general fund revenues will vary accordingly.

Small Business Effect: Revenues for small businesses that sell hunting and fishing equipment could increase during the sales tax holiday. These increases may be offset by fewer sales over the rest of the year. To the extent the sales tax holiday results in additional hunting and fishing activity in the State, other related businesses may benefit as well.

U.S. Fish and Wildlife Service data indicates that approximately 445,000 hunters and fishermen spent approximately \$820.2 million on hunting and fishing equipment and activities in 2011, for an average of \$1,843.

Additional Information

Prior Introductions: HB 1520 of 2014 was assigned to the House Rules and Executive Nominations Committee, but no further action was taken.

Cross File: HB 958 (Delegate Mautz, *et al.*) - Ways and Means.

Information Source(s): U.S. Fish and Wildlife Service, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2015
min/jrb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510