

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 932
Ways and Means

(Delegate Malone, *et al.*)

Sales and Use Tax - Casual and Isolated Sales - Exemption Amount

This bill increases, from less than \$1,000 to less than \$5,000, the amount of a casual and isolated sale that is exempt from the State sales and use tax.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: General fund revenues decrease beginning in FY 2017 depending on the number of casual and isolated sales that occur each year and the sales price of each item. General fund expenditures for administrative costs in the Comptroller's Office increase by \$81,300 in FY 2017.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The sales and use tax does not apply to a casual and isolated sale by a person who regularly does not sell tangible personal property or a taxable service if the sales price is less than \$1,000 and the sale is not made through an auctioneer or a dealer.

Background: The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$4.5 billion in fiscal 2016 and \$4.7 billion in fiscal 2017, according to the December 2015 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 in localities in Northern Virginia and the Hampton Roads region.

State Fiscal Effect: General fund revenues decrease beginning in fiscal 2017 depending on the number of casual and isolated sales that occur each year and the sales price of each item. The Department of Budget and Management's *Fiscal Year 2016 Tax Expenditure Report* indicates that there is no data upon which to base a reliable estimate for the current exemption for casual and isolated sales.

As a point of reference, if in a year there are 1,000 casual and isolated sales of \$4,999, general fund revenues will decrease by \$299,940.

The Comptroller's Office will incur a one-time expenditure increase of \$81,300 in fiscal 2017 to notify the approximately 130,000 sales and use tax account holders of the sales tax change.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

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