

Department of Legislative Services  
 Maryland General Assembly  
 2022 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

House Bill 364  
 Ways and Means

(Delegate Henson, *et al.*)

Budget and Taxation

Sales and Use Tax - Medical Devices - Exemption

This bill exempts from the State sales and use tax the sale of the following items: (1) medical or clinical thermometers; (2) pulse oximeters; (3) blood pressure monitors; and (4) an N95, China KN95, Japan DS, Korea 1<sup>st</sup> Class, AS/NZS P2, or European FFP2 filtering facepiece respirator. **The bill takes effect July 1, 2022.**

Fiscal Summary

**State Effect:** General fund revenues decrease by approximately \$6.7 million in FY 2023 and by \$6.8 million in FY 2027. The State budget assumes the revenue reduction in FY 2023. Future year revenues generally decrease by an additional 1% annually. General fund expenditures increase by \$81,300 in FY 2023.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$6.7)	(\$6.7)	(\$6.7)	(\$6.8)	(\$6.8)
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$6.7)	(\$6.7)	(\$6.7)	(\$6.8)	(\$6.8)

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

**Local Effect:** None.

**Small Business Effect:** None.

Analysis

**Current Law:** The sale of medicines and specified medical supplies and certain health, physical, and hygienic aids are exempt from the State sales and use tax.

The sales and use tax is the State’s second largest source of general fund revenue, accounting for approximately \$5.5 billion in fiscal 2022 and \$5.7 billion in fiscal 2023, according to the December 2021 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

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

Delaware	0.0%
District of Columbia	6.0%; 10.0% for liquor sold for on-the-premises consumption and restaurant meals; 10.25% for alcoholic beverages for consumption off the premises, tickets to specified sporting events, and specified rental vehicles; 8.0% for specified soft drinks
Maryland	6.0% 9.0% for alcoholic beverages
Pennsylvania	6.0% plus 1.0% or 2.0% in certain local jurisdictions
Virginia*	5.3%; 2.5% for eligible food items; 2.5% for specified essential personal hygiene items; both rates include 1.0% for local jurisdictions
West Virginia	6.0% plus 1.0% in 70 municipalities

\*An additional state tax of: (1) 0.7% is imposed in localities in Central Virginia, Northern Virginia, and the Hampton Roads region; (2) 1.0% in Charlotte, Gloucester, Halifax, Henry, Northampton, and Patrick counties; and (3) 1.7% is imposed in localities in the Historic Triangle.

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**State Revenues:** General fund revenues decrease by approximately \$6.7 million in fiscal 2023 and by \$6.8 million in fiscal 2027. The estimate is based on (1) national consumer spending data from the Consumer Expenditure Survey; (2) worldwide and national sales data for medical or clinical thermometers, pulse oximeters, blood pressure monitors, and specified respirators as reported by Grand View Research and Transparency Market Research; and (3) the number of households in Maryland. It is estimated that future year revenues generally decrease by an additional 1% annually but fluctuate based on respirator sales.

**State Expenditures:** The Comptroller’s Office will incur a one-time expenditure increase of \$81,300 in fiscal 2023 to notify the approximately 130,000 sales and use tax account holders of the sales tax change.

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## Additional Information

**Prior Introductions:** None.

**Designated Cross File:** SB 488 (Senator Griffith, *et al.*) - Budget and Taxation.

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

**Fiscal Note History:** First Reader - January 31, 2022  
rh/hlb Third Reader - June 2, 2022  
Revised - Other - June 2, 2022  
Revised - Budget Information - August 3, 2022

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