

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1075 (Delegates Young and R. Lewis)
 Ways and Means

Sales and Use Tax - Electric Bicycles and Electric Low Speed Scooters - Exemption

This bill exempts the sale of specified electric bicycles or low speed scooters from the State sales and use tax. The Comptroller is required to report to the General Assembly by December 31 of each year on (1) the amount of foregone sales and use tax revenue attributable to the exemption and (2) in consultation with the relevant State agencies, the effect of the exemption on the transportation and environment goals of the State. **The bill takes effect July 1, 2024, and terminates June 30, 2029.**

Fiscal Summary

State Effect: State revenues decrease by a significant amount in FY 2025 through 2029. Under one set of assumptions, general fund revenues decrease by \$8.4 million in FY 2025 and Blueprint for Maryland’s Future Fund (BMFF) revenues decrease by \$1.1 million. Future year revenues reflect the increase in electric bicycle and scooter sales. Expenditures are not affected.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$8.4)	(\$9.2)	(\$10.1)	(\$11.1)	(\$12.2)
SF Revenue	(\$1.1)	(\$1.2)	(\$1.4)	(\$1.5)	(\$1.7)
Expenditure	0	0	0	0	0
Net Effect	(\$9.5)	(\$10.5)	(\$11.5)	(\$12.6)	(\$13.9)

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

Local Effect: None.

Small Business Effect: Potential meaningful. Small businesses that sell electric bicycles and scooters may see increased sales resulting from the sales tax exemption.

Analysis

Current Law: The sale of electric bicycles and electric scooters is subject to the State sales and use tax. A report by the Comptroller’s Office provides information on tangible personal property and services subject to the sales and use tax. A copy of the report can be found here: [Sales and Use Tax List of Tangible Personal Property and Services \(marylandtaxes.gov\)](https://marylandtaxes.gov).

State Sales and Use Tax

The sales and use tax is the State’s second largest source of general fund revenue, accounting for approximately \$5.9 billion in fiscal 2024 and \$6.1 billion in fiscal 2025, according to the December 2023 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	0.0%
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; 14.95% for transient accommodations; 18% for motor vehicle parking in commercial lots
Maryland	6.0% 9.0% for alcoholic beverages
Pennsylvania	6.0% plus 1.0% or 2.0% in certain local jurisdictions
Virginia*	5.3%; 1.0% for eligible food items; 1.0% for specified essential personal hygiene items
West Virginia	6.0% plus 1.0% in specified 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, Patrick, and Pittsylvania counties, and the City of Danville; and (3) 1.7% is imposed in James City County, York County, and Williamsburg (Historic Triangle). The sales and use tax rate for food and personal hygiene products decreased to 1.0% as of January 1, 2023.

Blueprint for Maryland's Future Fund

Chapter 33 of 2022 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Chapter 33 requires the Comptroller, after making certain other distributions, to pay to BMFF the following percentage of the remaining sales and use tax revenues:

- 9.2% for fiscal 2023;
- 11.0% for fiscal 2024;
- 11.3% for fiscal 2025;
- 11.7% for fiscal 2026; and
- 12.1% for fiscal 2027 and each subsequent fiscal year.

Chapter 33 also repealed the distribution of sales and use tax revenues to the BMFF from marketplace facilitators, certain out-of-state vendors, and specified digital products or digital codes.

Electric Bicycles and Low-speed Scooters

An electric bicycle is a vehicle that (1) is designed to be operated by human power with the assistance of an electric motor; (2) is equipped with fully operable pedals; (3) has two or three wheels; (4) has a motor with a rating of 750 watts or less; and (5) meets one of the following requirements:

- A Class 1 electric bicycle is equipped with a motor that provides assistance only when the rider is pedaling and ceases to provide assistance when the bicycle reaches a speed of 20 miles per hour.
- Class 2 electric bicycle is equipped with a motor that provides assistance whether or not the rider is pedaling the bicycle and ceases to provide assistance when the bicycle reaches a speed of 20 miles per hour.
- A Class 3 electric bicycle is equipped with a motor that provides assistance only when the rider is pedaling and ceases to provide assistance when the bicycle reaches a speed of 28 miles per hour.

An electric low speed scooter is a vehicle that (1) is designed to transport only the operator; (2) weighs less than 100 pounds; (3) has single wheels in tandem or a combination of one or two wheels at the front and rear of the vehicle; (4) is equipped with handlebars and a platform designed to be stood on while riding; (5) is solely powered by an electric motor and human power; and (6) is capable of operating at a speed of up to 20 miles per hour. An electric low-speed scooter does not include an electric personal assistive mobility device, or an electric wheelchair or other mobility aid used by a disabled individual.

State Fiscal Effect: Total State sales and use tax revenues decrease by a significant amount in fiscal 2025 through 2029, when the sales and use tax exemption sunsets. The amount of the revenue decrease depends on the sales of electric bicycles and scooters that occur each year and their cost. Based on the following set of assumptions, total State revenues may decrease by \$9.5 million in fiscal 2025 and by \$13.9 million in fiscal 2029.

- approximately 48.3 million electric bicycles will be sold worldwide in 2025;
- U.S. market accounts for 6.7% of global sales of electric bicycles and scooters;
- the average price of an electric bicycle is \$2,000;
- sales of electric scooters will total approximately \$2.0 billion nationally in 2025;
- Maryland represents 1.9% of the U.S. population; and
- sales of electric bicycles and scooters increase by approximately 10% annually.

As noted, Chapter 33 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Therefore, any decrease in sales and use tax revenues will also reduce BMFF revenues. Based on the estimate above, general fund revenues decrease by \$8.4 million, and BMFF revenues decrease by \$1.1 million in fiscal 2025. In future years, general fund revenues may decrease by \$12.2 million, and BMFF revenues may decrease by \$1.7 million in fiscal 2029.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland Department of the Environment; Department of Natural Resources; Maryland Department of Transportation; Department of Legislative Services

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