

Department of Fiscal Services
 Maryland General Assembly

FISCAL NOTE

House Bill 340 (Delegate Healey, et al.)
 Ways and Means

Sales and Use Tax - Property Consumed in Providing a Taxable Building Cleaning Service

This bill exempts from the sales and use tax goods that are used in providing a taxable cleaning service for a commercial or industrial building. To qualify for the exemption, the goods must be consumed within one year of purchase.

This bill is effective July 1, 1996.

Fiscal Summary

State Effect: General fund revenue decrease of \$320,800 in FY 1997. The decrease would grow by 5% annually. Expenditures would not be affected.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	(\$320,800)	(\$336,800)	(\$353,700)	(\$371,400)	(\$389,900)
GF Expenditures	0	0	0	0	0
Net Effect	(\$320,800)	(\$336,800)	(\$353,700)	(\$371,400)	(\$389,900)

Note: () indicates decrease; GF indicates general funds

Local Effect: None.

Fiscal Analysis

State Revenues: General fund revenues could decline by approximately \$320,800 in fiscal 1997 based on the following facts and assumptions:

- ° Approximately \$9.7 million of supplies were purchased for use in commercial

- cleaning services in fiscal 1995.
- Approximately 20% (\$1.9 million) of supplies purchased by commercial cleaning services are not taxed currently.
- Another 20% (\$1.9 million) of supplies purchased by commercial cleaning services are not consumed within one year of the purchase date and thus would remain taxable under this bill.
- The remaining 60% (\$5.8 million) of purchases is currently taxed but would be exempted from taxation under this bill.

Assuming a 5% annual growth rate in sales to commercial cleaning services, the amount of sales that would be exempted from taxation by this bill in fiscal 1997 is estimated at \$6.4 million, yielding a loss of approximately \$320,800 in sales and use tax.

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

Fiscal Note History: First Reader - January 30, 1996

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