Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 151 (Senator Green, et al.)
Budget and Taxation

Prince George's County - Sales Tax for School Construction

This bill authorizes the County Council of Prince George's County to impose a 1% sales tax in addition to the State's 5% sales tax. Vendors shall file returns with the county on the twenty-first day of each month, and shall remit the taxes collected with the return. Vendors are allowed a deduction of 1.5% of the tax collected. Net revenue collected under these provisions shall be used only for the purpose of school construction or renovation required to eliminate the need for involuntary race-based busing in the county. Authority to impose the tax terminates on June 30, 1997.

The tax provisions of this bill are effective January 1, 1997, contingent upon the county Board of Education obtaining a ruling from the federal district court eliminating the mandate of involuntary race-based school busing, and upon approval of a majority of legally qualified voters in the county.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues could increase an estimated $17.1 million in FY 1997 and $4.0 million in FY 1998. Expenditures could increase approximately $550,000. **This bill imposes a mandate on a unit of local government.**

Fiscal Analysis

State Effect: None. The Office of the Comptroller can charge a reasonable fee for the costs of providing information to Prince George's County.

Local Revenues: Prince George's County revenues could increase $19.4 million in fiscal

1997. In fiscal 1995, $236 million of sales and use tax was collected in Prince George's County. Assuming 3% growth, about $250.4 million of tax would be collected in fiscal 1997. Adjusting for use tax collections (the county is not authorized to collect use tax under this bill) and for the January to June effective period for this tax, an estimated $107 million of State sales tax would be collected on transactions which would be taxable by the county. The county 1% rate would therefore result in about $21.4 million, less about $320,000 for the vendor's commission, for a net revenue increase of $21.1 million. This estimate assumes that the tax does not result in cross-border economic activity. Of the $21.1 million, $17.1 million would be collected in fiscal 1997, and about $4.0 million for June sales would be collected in July of 1997, which is in fiscal 1998.

Local Expenditures: Prince George's County advises that expenditures could increase an estimated $1.1 million under this bill. This includes salaries, benefits and supplies for a staff of 20, including auditors, accountants and clerks.

The Department of Fiscal Services advises that because the tax would only be collected for six months, expenditures would total only $550,000, unless the employees are brought on early for training. Costs could be further reduced through the use of contractual employees.

One cent on Prince George's County's property tax rate yields approximately $1.7 million in fiscal 1997. Accordingly, this $550,000 expenditure increase is equivalent to $0.0033 on the county's property tax rate.

Information Source(s): Office of the Comptroller (Compliance Division), Prince George's County, Department of Fiscal Services

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