

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

House Bill 662 (Delegate Klausmeier, *et al.*)  
Ways and Means

---

Sales and Use Tax - Guard Services

---

This bill exempts guard services from the sales and use tax.

The bill is effective July 1, 1997.

---

Fiscal Summary

**State Effect:** Decrease in general fund revenues of \$3.11 million in FY 1998. Out-year estimates reflect a 5% annual growth rate. Expenditures would not be affected.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	(\$3.11)	(\$3.30)	(\$3.43)	(\$3.60)	(\$3.78)
GF Expenditures	0	0	0	0	0
Net Effect	(\$3.11)	(\$3.30)	(\$3.43)	(\$3.60)	(\$3.78)

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

**Local Effect:** None.

**Small Business Effect:** Potential meaningful effect on small businesses as discussed below.

---

Fiscal Analysis

**State Revenues:** Guard services generated approximately \$2.82 million in sales and use tax in fiscal 1996. This amount is expected to grow by 5% annually, yielding \$3.11 million in foregone revenues in fiscal 1998.

**Small Business Effect:** It is estimated that a majority of guard services are small businesses. Exempting guard services from the sales tax would reduce the cost of such services by

approximately 5% and could cause greater sales.

---

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

**Fiscal Note History:** First Reader - February 14, 1997  
nrd

---

Analysis by: Christina H. Kim  
Reviewed by: David F. Roose

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 841-3710  
(301) 858-3710