

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 872 (Delegate Rzepkowski)

Ways and Means

Sales and Use Tax - Textbooks, Workbooks, and Course Materials

This bill exempts textbooks, workbooks, and related course materials from the sales and use tax if purchased by a student enrolled in an institution of higher education. A student identification card must be presented at the time of purchase to qualify for the exemption.

The bill takes effect July 1, 1999.

Fiscal Summary

State Effect: General fund revenues would decrease by at least \$5.9 million in FY 2000. Future year revenue losses increase by 3% annually. No effect on expenditures.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	(\$5.9)	(\$6.1)	(\$6.3)	(\$6.4)	(\$6.6)
GF Expenditures	0	0	0	0	0
Net Effect	(\$5.9)	(\$6.1)	(\$6.3)	(\$6.4)	(\$6.6)

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

Local Effect: None.

Small Business Effect: Minimal.

Fiscal Analysis

State Revenues: General fund revenues could decrease by about \$5.9 million in fiscal 2000. The estimate is based on the following facts and assumptions:

- the following number of students were enrolled in private and public institutions of

higher education in Maryland in the fall of 1998: 101,000 full-time in four-year institutions, 32,703 full-time in two-year institutions, 59,385 part-time in four-year institutions, and 71,714 part-time in two-year institutions;

- approximately \$571 is spent on books and course materials (excluding supplies) annually by a full-time student in a four-year institution and \$549 for a full-time student in a two-year institution;
- on average, part-time students take twice as long as full-time students to complete a program, thereby spending half as much annually on books.

It is possible that students could purchase books that are not used for course instruction or specified in course syllabus. To that extent, general fund revenues could decrease by significantly more than \$5.9 million. Out-year estimates increase by 3% annually.

Information Source(s): Maryland Higher Education Commission, Comptroller of the Treasury (Bureau of Revenue Estimates), *Chronicle of Higher Education*, Department of Legislative Services

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