

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 298 (Delegate Crvor. *et al.*)

Ways and Means

Sales and Use Tax - Tax-Free Weeks

This bill exempts from the sales and use tax the sale of clothing (except footwear and accessories) for the week of August 7 through August 13, 1999, if the taxable price of the item of clothing is \$100 or less. It also exempts from the sales tax the sale of transient lodging for the week of January 23 through January 29, 2000, if the taxable price of the room is less than \$100 per day.

This bill is effective July 1, 1999.

Fiscal Summary

State Effect: General fund revenues could decline by an estimated \$4.1 million in FY 2000. General fund expenditures could increase by \$20,700.

Local Effect: None.

Small Business Effect: Potential minimal impact.

Fiscal Analysis

State Revenues: General fund revenues could decline by an estimated \$4.1 million in fiscal 2000 based on the following facts and assumptions:

- total sales tax collected for apparel sales in August averaged \$8.3 million for the years 1996 to 1998;
- approximately 75% of total sales are items with a taxable price under \$100;

- about half of sales from the weeks before and after the tax-free week will be transferred to the tax-free week;
- total sales tax collected for hotel/motel rooms in January averaged \$2.2 million for the years 1996 to 1998;
- approximately 85% of total sales of lodging has a taxable price under \$100; and
- about 25% of total sales of lodging for the weeks before and after the tax-free week will be transferred to the tax-free week.

Sales of clothing eligible for the exemption during the August tax-free week would total an estimated \$66.7 million, resulting in a revenue loss of \$3.3 million. Sales of lodging during the January tax-free week would total an estimated \$14.2 million, resulting in a revenue loss of \$711,875.

State Expenditures: The Office of the Comptroller advises that expenditures would increase by \$5,200 for postage to notify the approximately 100,000 entities collecting the sales tax of this change, and by \$15,500 for printing the mailings and for informational material to inform taxpayers about the tax-free week.

Small Business Effect: This bill could cause a net increase in sales, especially if non-residents come to Maryland to purchase taxable goods during the tax-free week. Compliance costs for small businesses could increase, however, if changes to cash register programming and accounting systems are required. The net effect would vary from business to business, and could be positive or negative.

Information Source(s): Office of the Comptroller (Bureau of Revenue Estimates), Department of Legislative Services

Fiscal Note History: First Reader - February 24, 1999

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