

Department of Legislative Services  
 Maryland General Assembly  
 2000 Session

FISCAL NOTE  
 Revised

Senate Bill 612 (Senator Ruben. *et al.*)

Budget and Taxation

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Sales and Use Tax - Detective, Guard, and Armored Car Security Services

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This bill exempts detective, guard, and armored car services from the sales and use tax.

The bill takes effect July 1, 2001.

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Fiscal Summary

**State Effect:** General fund revenues would decrease by \$8.9 million in FY 2002 due to the exemption. The decrease would grow by 5% annually. Expenditures would not be affected.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0.0	(\$8.9)	(\$9.1)	(\$9.4)	(\$9.7)
GF Expenditures	0.0	0.0	0.0	0.0	0.0
Net Effect	\$0.0	(\$8.9)	(\$9.1)	(\$9.4)	(\$9.7)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** These services are currently subject to the 5% sales tax. Electronic security systems are also currently subject to the tax, but are not included in the bill.

**Background:** Chapter 1 (SB 1) of the first special session of the 1992 session made these services taxable. That comprehensive tax legislation was prompted by the State's fiscal crisis

and created or increased a variety of taxes. The fiscal note and a study by the Department of Fiscal Services document in January 1992 estimated that the tax on these security services would raise \$17.3 million in fiscal 1993.

Armored car services are subject to the sales tax in Arkansas, Connecticut, Iowa, and Minnesota. Detective services are taxed by Florida, Iowa, Minnesota, and New York and “investigation services” are taxed by Connecticut and Ohio. Security services are taxed by Ohio and Minnesota. No other state taxes security services specifically; however, states with broad sales taxes on services are likely to include these services.

**State Revenues:** Security services generated \$12.7 million of sales and use tax in fiscal 1999. This figure includes security systems, which are not exempted by the bill. It is not known what portion of total tax receipts for this category are attributable to these systems. The 1997 U.S. Census of Service Industries, however, reports that approximately 64% of revenues to Maryland firms for security services are attributable to detective, guard, or armored car services. Applying this percentage to total sales tax receipts and assuming 5% growth results in a fiscal impact of \$8.9 million in fiscal 2002, with the revenue loss increasing by 5% per year thereafter.

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### Additional Information

**Prior Introductions:** HB 123 and SB 285 of 1996, substantially similar bills, received unfavorable reports from the House Ways and Means Committee and the Senate Budget and Taxation Committee, respectively.

**Cross File:** HB 563 (Delegate Bozman, *et al.*) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 28, 2000  
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