

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE

Senate Bill 252 (Senator Forehand, *et al.*)

Budget and Taxation

Ways and Means

Sales and Use Tax - Supplies Supporting Breast-Feeding

This bill exempts from the sales and use tax tangible personal property that is manufactured for the purpose of initiating, supporting, or sustaining breast-feeding.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: General fund revenues could decrease by \$353,300 in FY 2002. Future year revenue losses grow by 5% annually. Expenditures would not be affected.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	(\$353,300)	(\$369,600)	(\$387,465)	(\$407,100)	(\$428,700)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$353,300)	(\$369,600)	(\$387,465)	(\$407,100)	(\$428,700)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Breast-feeding equipment is currently subject to the State's 5% sales and use tax.

Background: Medicines, certain medical supplies, and certain health and physical aids are exempt from the sales and use tax.

State Revenues: According to the Mothers' Survey, Ross Products Division, Abbott Laboratories, 64% of babies were breast-fed in hospitals in 1998; after six months, 29% of babies were still breast-fed. Based on the total number of babies projected to be born in Maryland in 2001, 44,864 babies will be breast-fed in hospitals and approximately half of these will continue to be breast-fed at home for six months.

If supplies supporting breast-feeding are exempt from the sales tax, general fund revenues would decrease by \$353,300 in fiscal 2002. The estimate is based on the following facts and assumptions:

- half the mothers who breast-feed in hospitals continue to do so at home and purchase a breast pump;
- breast pumps range in price from \$19 to \$275, with an average price of \$215;
- half the mothers who breast-feed in hospitals purchase other breast-feeding supplies that average around \$100.

The estimates grow by 5% annually, accounting for inflation, population growth, and the increase in the percentage of mothers who breast-feed.

State Expenditures: The Comptroller's Office advises that there will be an increase in administrative expenditures to implement the exemption; Legislative Services estimates these additional expenditures to be minimal or none.

Additional Information

Prior Introductions: HB 333 of 1999 was approved by the House but was not reported from the Senate Budget and Taxation Committee.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader – February 2, 2001
ncs/jr

Analysis by: Matthew D. Riven

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510