

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 779
Ways and Means

(Delegate Murphy, *et al.*)

Sales and Use Tax - Exemptions - Tangible Personal Property Purchased Outside the State

This bill exempts from the sales and use tax tangible personal property of a price less than \$100 that is purchased outside of the State and personally brought into the State by the purchaser for the purchaser's personal enjoyment (or other specified purpose other than a business purpose).

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: Use tax revenues (general funds) would decrease minimally as a result of the exemption. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: None. Only non-Maryland small businesses would be affected.

Analysis

Current Law: Unless otherwise specifically exempted, tangible personal property of any price that is purchased outside the State and personally brought into the State by the purchaser for the purchaser's personal enjoyment is subject to the State's 5% use tax.

Background: Purchases of goods by Maryland residents taking place outside the State are subject to the 5% use tax. The vast majority of use taxes, however, are paid by corporations or other entities that expect to be audited by the Comptroller's Office.

Compliance with the use tax requirement among individual taxpayers is very low. The Comptroller's Office advises that approximately \$50,000 per year is collected from use taxes paid by individual citizens.

State Revenues: Of the use taxes currently collected from individual citizens, it is assumed that a substantial portion of the dollars are attributable to sales that would remain subject to the use tax under the bill (i.e., items: over \$100, for resale, professionally delivered, or a combination of these). The exact amount of current use tax payments that would become exempt under the bill cannot be reliably estimated at this time, but is assumed to be minimal.

Additional Information

Prior Introductions: HB 975 of 2000, a similar bill with a \$1,000 exemption limit, received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

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cm/jr

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