SB 590

Department of Legislative Services

Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 590 (Senator Currie)
Budget and Taxation

Prince George's County - Telephone Service Tax

This bill authorizes the Prince George's County Council to impose, by ordinance, sales and use tax on residential, commercial, and industrial telephone service in Prince George's County. The net proceeds from the tax could be used only for operating and capital expenditures of the Prince George's County school system.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: None. The bill does not directly affect State operations or finances.

Local Effect: Prince George's County revenues could increase by $13 million to $20 million per year, depending on the tax rate imposed. Revenues would increase by an additional $8 million to $12 million if the bill were interpreted to include wireless telephones also.

Small Business Effect: Potential meaningful impact for small businesses that are heavily reliant on telephone services.

Analysis

Current Law: None applicable.

Background: The following jurisdictions have local sales taxes on telephone services:

Jurisdiction	Tax Rate/Basis	Estimated FY 2002 Revenue
Anne Arundel County	8%	$6.1 million
Baltimore City	12%	$12.0 million
Baltimore County	8%	$14.4 million
Montgomery County	$0.925 per line per month	$7.9 million

Prince George's County has dedicated revenues from the transfer and energy taxes to the board of education. In fiscal 2002, the transfer tax is projected to yield $52.2 million and the energy tax is projected to yield $45.1 million. In addition to these revenues, the county will provide $370.5 million to the board of education, which is equivalent to 88.275% of the county's property tax revenues.

Local Revenues: There are approximately 530,000 land telephone lines in Prince George's County. Assuming an average phone bill of $40 per month, the annual taxable base for landlines is $254.4 million. The amount of revenue raised by the county would depend on the tax rate imposed. At a 5% rate, approximately $12.7 million would be raised, while at 8%, approximately $20.4 million would be raised. These estimates assume exemptions for governments and nonprofit organizations.

The bill does not specify whether wireless phones would be covered. If so, revenues would increase by an additional amount. The number of wireless phone accounts in Prince George's County is not known. But assuming 40% of the county's 800,000 residents have wireless phones, and assuming an average $40 per month bill, this taxable base would be $153.6 million. At a 5% rate, $7.7 million would be raised, while at 8%, $12.3 million would be raised.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, Comptroller's Office, Maryland Association of Counties, Department of Legislative Services

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lsc/jr

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