

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 461
Ways and Means

(Prince George's County Delegation)

Prince George's County - Telecommunications Tax - Exemption Based on Age
PG 417-03

This bill grants the Prince George's County Council the authority to exempt those telecommunications services provided to classes of individuals based on age from the local telecommunications tax.

The bill takes effect June 1, 2003.

Fiscal Summary

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

Local Effect: The impact on Prince George's County would depend on whether the county council elects to create an exemption, and the age criteria for the exemption. Assuming the exemption was for individuals age 65 and over, then county revenues could decline by \$2.4 million in FY 2004, increasing annually by the growth in telecommunications services.

Small Business Effect: None.

Analysis

Current Law: Legislation passed during the 2002 session (Chapter 289 of 2002) to restructure the Prince George's County School Board also requires the Prince George's County Council to impose, by ordinance, and collect a telecommunications tax at a rate of not less than 5%. The proceeds of the tax authorized by Chapter 289 may be used only

for operating expenditures of the Prince George's County school system. The tax is currently implemented at 8%.

Local Revenues: The impact on the county would depend on whether the county council elects to create an exemption by age, and at what age the exemption is set. The county estimates that it will collect \$30.6 million from the 8% tax in fiscal 2004. For illustrative purposes, if the exemption age were set at age 65 or older, then approximately 62,000 of the county's 801,000 residents would be eligible. Assuming that spending on telecommunications services is even across all age groups, county revenues would decline by approximately \$2.4 million in fiscal 2004, with future revenue declines based on growth in telecommunications services.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mdf/jr

Analysis by: Matthew D. Riven

Direct Inquiries to:
(410) 946-5510
(301) 970-5510