

Department of Legislative Services  
 Maryland General Assembly  
 2006 Session

**FISCAL AND POLICY NOTE**

House Bill 265 (Delegate Gilleland, *et al.*)  
 Ways and Means

**Sales and Use Tax - Funeral-Related Products**

This bill exempts the sale of coffins, caskets, burial vaults, tombstones, or other grave monuments, markers, or memorials from the State sales and use tax.

The bill takes effect July 1, 2006.

**Fiscal Summary**

**State Effect:** General fund revenues could decrease by approximately \$12.8 million in FY 2007. Future year revenues reflect population increases and increasing burial/cremation costs. Expenditures are not affected.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
GF Revenue	(\$12.8)	(\$13.2)	(\$13.7)	(\$14.1)	(\$14.5)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$12.8)	(\$13.2)	(\$13.7)	(\$14.1)	(\$14.5)

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

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

**Analysis**

**Current Law:** The sale of coffins, caskets, burial vaults, tombstones, or other grave monuments, markers, or memorials is not exempt from the sales and use tax. The sales and use tax is paid on the wholesale price of caskets, coffins, and burial vaults by funeral homes. Consumers do not pay sales tax on the retail purchase. However, purchasers of

monuments and other markers pay the sales tax on the retail price of these items because the sales tax is not paid on the wholesale price.

**Background:** The sales and use tax is the State's second largest source of general fund revenues accounting for approximately \$3.5 billion in fiscal 2007. The Maryland sales and use tax rate is currently set at 5.0%.

**State Fiscal Effect:** General fund revenues could decrease by approximately \$12.8 million in fiscal 2007, based on the following facts and assumptions:

- approximately 5.6 million people live in Maryland as of July 1, 2005 as estimated by the Maryland Department of Planning;
- the State's population will increase by 1% annually;
- approximately 0.8% of the population dies each year;
- approximately 26% of burials were done by cremation in 2003, cremations will increase by 5% annually;
- the average taxable price for funeral products for a burial (caskets, vaults, and markers) is \$7,500;
- the average taxable price of funeral products for cremation (casket and marker) is \$1,290; and
- costs for funeral-related products will increase by about 5% annually.

**Exhibit 1** details the general fund revenue decrease for fiscal 2007 through 2011.

**Small Business Effect:** According to the U.S. Census Bureau's 2002 Economic Census, 224 businesses in Maryland are involved in funeral services (funeral homes or other funeral services) and another 106 are either cemeteries or crematoriums. The economic census indicates that funeral services businesses had \$193.6 million in receipts and crematoriums and cemeteries had \$85.1 million in receipts in 2002. Under the bill, small businesses that purchase caskets and coffins for resale would not have to pay the sales tax on these purchases.

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### **Additional Information**

**Prior Introductions:** This bill was introduced as HB 87 in the 2005 session. It received and unfavorable report from the House Ways and Means Committee.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Maryland Department of Planning, Casket and Funeral Supply Association of America, Cremation Association of North America, Department of Legislative Services

**Fiscal Note History:** First Reader - March 17, 2006  
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**Exhibit 1**  
**Fiscal Effect of Exempting Funeral Related Products from the Sales and Use Tax**

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Population	5,712,956	5,770,085	5,827,786	5,886,064	5,944,925
Deaths	43,791	43,941	44,092	44,244	44,396
<b>Burials</b>	29,758	29,142	28,485	27,784	27,037
Casket, Vault, Marker	\$7,875	\$8,269	\$8,682	\$9,116	\$9,572
Total Cost	\$234,346,323	\$240,970,935	\$247,313,289	\$253,289,838	\$258,805,210
<b>Cremations</b>	14,033	14,799	15,607	16,459	17,358
Casket and Marker	\$1,494	\$1,569	\$1,647	\$1,729	\$1,816
Total Cost	\$20,963,021	\$23,213,206	\$25,704,927	\$28,464,112	\$31,519,470
Burial and Cremation Costs	\$255,309,343	\$264,184,141	\$273,018,217	\$281,753,950	\$290,324,680
<b>GF Revenue Decrease</b>	<b>(\$12,765,467)</b>	<b>(\$13,209,207)</b>	<b>(\$13,650,911)</b>	<b>(\$14,087,698)</b>	<b>(\$14,516,234)</b>

Source: Department of Legislative Services

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