

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 456

(Senator Astle)

Budget and Taxation

Ways and Means

Sales and Use Tax - Energy Star Product Exemptions - Boilers

This bill adds boilers to the list of specified Energy Star products eligible for a specified sales and use tax exemption enacted by Chapter 6 of the 2007 special session.

The bill takes July 1, 2008.

Fiscal Summary

State Effect: General fund revenues would decrease by \$4,100 and Transportation Trust Fund (TTF) revenues would decrease by \$200 beginning in FY 2011. Future year revenue losses reflect a 3% annual increase. Expenditures would not be affected.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	\$0	\$0	(\$4,100)	(\$4,200)	(\$4,300)
SF Revenue	0	0	(200)	(200)	(200)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$0	\$0	(\$4,300)	(\$4,400)	(\$4,500)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 6 of the 2007 special session created two sales tax-free periods beginning in fiscal 2011. Beginning February 2011, Chapter 6 exempts from the State

sales and use tax the purchase of specified Energy Star products or solar hot water heaters made on the Saturday immediately preceding the third Monday in February through the third Monday in February. In addition, beginning August 2010, Chapter 6 exempts from the State sales and use tax the purchase of any item of clothing or footwear, excluding accessories, if the taxable price of the item of clothing or footwear is \$100 or less during the seven-day period beginning the second Sunday in August through the following Saturday.

Background: Chapter 6 applies to purchases of eligible Energy Star air conditioners, clothes washers or dryers, furnaces, heat pumps, standard size refrigerators, compact fluorescent light bulbs, dehumidifiers, programmable thermostats, and solar water heaters once a year beginning in February 2011. Sales tax revenues are estimated to decrease by \$563,300 in fiscal 2011 and \$591,500 in fiscal 2012.

Recent legislation in Connecticut created a temporary sales and use tax exemption for specified home appliances that meet the federal Energy Star standards. The exemption applies to the sale of qualified refrigerators and freezers, clothes washers, dishwashers, room air conditioners, dehumidifiers, room air cleaner units, water coolers, and battery chargers occurring between June 4, 2007 and September 30, 2007. The legislation also exempts the sale of compact fluorescent light bulbs occurring on or after June 1, 2007 and makes permanent an existing sales and use tax exemption for home weatherization products.

State Fiscal Effect: Total sales tax revenues could decrease by \$4,300 beginning in fiscal 2011 due to adding Energy Star boilers to the list of products eligible for the sales and use tax exemption created by Chapter 6. Chapter 10 of the 2008 session altered the distribution of sales and use tax revenues by requiring that, for fiscal 2009 through 2013, 5.3% of revenues, after specified distributions, be diverted to the TTF. As a result, the exemption proposed by the bill would reduce general fund revenues by \$4,100 and TTF revenues by \$200 in fiscal 2011. The estimate is based on the following facts and assumptions:

- the average price of an Energy Star boiler is \$5,500;
- three boilers will be sold daily;
- there will be the equivalent of four shopping days for boilers during the tax-free period; and
- Energy Star boiler prices will increase by 3% annually.

The estimated revenue decrease is based on average price data listed on the Energy Star web site. To the extent the actual prices and number of products purchased differ from

those used in the estimate, the associated revenue decrease would vary accordingly. Also, to the extent that the bill generates or contributes to sales of other products that might not normally have occurred, the sales tax decrease attributable to the bill could be mitigated.

Additional Information

Prior Introductions: None

Cross File: HB 985 (Delegate V. Clagett, *et al.*) – Ways and Means.

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

Fiscal Note History: First Reader - February 15, 2008
mll/hlb Revised - Updated Information - June 16, 2008

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