

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1242
Ways and Means

(Delegate Glass, *et al.*)

Sales and Use Tax - Exemption - Bluetooth Headset or Hands-Free Device

This bill exempts from the State sales and use tax the sale of a Bluetooth headset or a consumer electronic device designed to aid in hands-free device use while driving if the taxable price of the headset or device is \$500 or less.

The bill takes effect July 1, 2017, and terminates June 30, 2020.

Fiscal Summary

State Effect: General fund revenues decrease in FY 2018 through 2020. The amount of the revenue decrease depends on the number of specified devices that are sold each year and the cost of each device. General fund expenditures for administrative costs in the Comptroller's Office increase by \$81,300 in FY 2018.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law/Background: The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$4.6 billion in fiscal 2017 and \$4.7 billion in fiscal 2018, according to the December 2016 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

Exhibit 1
Sales and Use Tax Rates in Maryland and Surrounding States

Delaware	0.0%
District of Columbia	5.75%; 10.0% for liquor sold for off-the-premises consumption and restaurant meals, liquor for consumption on the premises, and rental vehicles
Maryland	6.0%; 9.0% for alcoholic beverages
Pennsylvania	6.0% plus 1.0% or 2.0% in certain local jurisdictions
Virginia*	5.3%; 2.5% for food; both rates include 1.0% for local jurisdictions
West Virginia	6.0% plus 0.5% (in one municipality) or 1.0% (in 27 municipalities)

*An additional state tax of 0.7% is imposed in localities in Northern Virginia and the Hampton Roads region.

State Fiscal Effect: General fund revenues decrease in fiscal 2018 through 2020. The amount of the revenue decrease depends on the number of specified headsets or hands-free devices that are sold and the cost of each device. An Internet search indicates that the price of Bluetooth headsets and hands-free devices can range from \$30.00 to over \$200.00. General fund revenues will decrease by \$1.80 for each \$30.00 device that is purchased, and by \$15.00 for each \$250.00 device that is purchased. As a point of reference, general fund revenues will decrease by \$60,000 for each \$1.0 million of headsets or hands-free devices that are purchased.

The Comptroller's Office will incur a one-time expenditure increase of \$81,300 in fiscal 2018 to notify the approximately 130,000 sales and use tax account holders of the sales tax change.

Additional Information

Prior Introductions: HB 1321 of 2016 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

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

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fn/jrb

Analysis by: Michael Sanelli

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