

Department of Legislative Services  
Maryland General Assembly  
2018 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 820  
Ways and Means

(Delegate Mautz, *et al.*)

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Sales and Use Tax - Replacement Boat Motors - Exemption

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This bill exempts the sale of a replacement boat motor for a boat that is registered in any state from the State sales and use tax. **The bill takes effect July 1, 2018.**

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Fiscal Summary

**State Effect:** General fund revenues decrease beginning in FY 2019. General fund expenditures increase by \$81,300 in FY 2019.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** The sale of a replacement boat motor for a boat that is registered in any state is not exempt from the State sales and use tax.

**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 2018 and \$4.7 billion in fiscal 2019, according to the December 2017 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

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**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 eligible food items; both rates include 1.0% for local jurisdictions
West Virginia	6.0% plus 0.5% (in two municipalities) or 1.0% (in 37 municipalities)

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

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**State Fiscal Effect:** General fund revenues decrease beginning in fiscal 2019. The amount of the revenue decrease depends on the number of replacement boat motors that are sold each year and the cost of each boat motor. An Internet search indicates that the price of boat motors can vary from \$200 and \$300 for small outboard motors to thousands of dollars for inboard motors and marine engines.

The Department of Natural Resources (DNR) collects the boat excise tax on the vessel, engine, and accessories when the vessel is titled and/or registered in Maryland for the first time. The department does not require notification of an engine replacement. DNR reports that there are 152,377 vessels with motors or engines registered in Maryland, including 23,875 with inboard motors, 104,568 with outboard motors, and 23,934 with sterndrive motors. DNR also indicates that outboard motors will be replaced more frequently than inboard or sterndrive motors.

General fund revenues will decrease by \$18 for each \$300 replacement motor that is purchased and by \$180 for each \$3,000 replacement motor that is purchased. As a point of reference, general fund revenues will decrease by \$60,000 for each \$1.0 million of replacement boat motors that are purchased each year.

The Comptroller's Office will incur a one-time expenditure increase of \$81,300 in fiscal 2019 to notify the approximately 130,000 sales and use tax account holders of the sales tax change.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 19, 2018  
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