

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 831
Ways and Means

(Delegate Malone, *et al.*)

Sales and Use Tax - Casual and Isolated Sales - Exemption Amount

This bill increases the amount of a casual and isolated sale that is exempt from the State sales and use tax. The exemption threshold is increased from less than \$1,000 to less than \$5,000. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund revenues decrease beginning in FY 2020 depending on the number of casual and isolated sales that occur each year and the sales price of each item. General fund expenditures are not affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The sales and use tax does not apply to a casual and isolated sale by a person who regularly does not sell tangible personal property or a taxable service if the sales price is less than \$1,000 and the sale is not made through an auctioneer or a dealer.

Background: The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$4.9 billion in fiscal 2019 and \$5.0 billion in fiscal 2020, according to the December 2018 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	6.0%; 10.0% for liquor sold for on-the-premises consumption and restaurant meals; 10.25% for alcoholic beverages for consumption off the premises, tickets to specified sporting events, and specified 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 41 municipalities)

*An additional state tax of 0.7% is imposed in localities in Northern Virginia and the Hampton Roads region and an additional 1.7% is imposed in localities in the Historic Triangle.

State Fiscal Effect: General fund revenues decrease beginning in fiscal 2020 depending on the number of casual and isolated sales that occur each year and the sales price of each item. The Department of Budget and Management's *Fiscal Year 2018 Tax Expenditure Report* indicates that there is no data upon which to base a reliable estimate for the current exemption for casual and isolated sales. As a point of reference, if in a year there are 1,000 casual and isolated sales of \$4,999, general fund revenues will decrease by \$299,940.

Additional Information

Prior Introductions: HB 1664 of 2018 received a hearing in the House Ways and Means Committee, but no further action was taken. HB 932 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

Fiscal Note History: First Reader - February 24, 2019
mm/hlb

Analysis by: Michael Sanelli

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