

Department of Legislative Services  
Maryland General Assembly  
2020 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 1326  
Ways and Means

(Delegates Buckel and Luedtke)

Budget and Taxation

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Sales and Use Tax – Exemption for Artificial Hearing Device Earmolds,  
Equipment, and Parts

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This bill exempts the following hearing related equipment and parts from the State sales and use tax: (1) a custom-made earmold for an artificial hearing device; (2) a battery charger for an artificial hearing device; or (3) a receiver for an artificial hearing device. The bill also repeals a current exemption for a replacement cord for an artificial hearing device. **The bill takes effect July 1, 2020.**

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Fiscal Summary

**State Effect:** General fund revenues decrease by a potentially significant amount beginning in FY 2021. General fund expenditures increase by \$81,300 in FY 2021.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** The State sales and use tax does not apply to specified disposable medical supplies and specified health and physical aids, including replacement cords for an artificial hearing device.

**Background:** The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$5.0 billion in fiscal 2020 and 2021, according to the December 2019 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	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; and 8.0% for specified soft drinks
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; 2.5% for specified essential personal hygiene items; both rates include 1.0% for local jurisdictions
West Virginia	6.0% plus 0.5% (in one municipality) or 1.0% (in 45 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.

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**State Revenues:** General fund revenues decrease by a potentially significant amount beginning in fiscal 2021, depending on the volume and cost of specified items for artificial hearing devices that are sold each year. As a point of reference, if each individual with a hearing aid spends \$25 per year on tax-exempt equipment and parts, general fund revenues would decrease by approximately \$570,000 annually. If each individual spends \$50 per year, general fund revenues would decrease by approximately \$1.1 million. The following is a summary of the facts and assumptions used in developing the fiscal estimate.

*Hearing Aid Statistics*

Hearing loss is the third most common physical condition behind arthritis and heart disease, affecting people of all ages. According to the Johns Hopkins Cochlear Center for Hearing and Public Health, approximately 38.2 million Americans (14.3%) report some degree of hearing loss. Age is the strongest predictor of hearing loss among adults; 91% of adults with hearing loss are aged 50 and older. Those older than 80 have the greatest amount of hearing loss. It is estimated that of those age 70 and older who could benefit from wearing hearing aids, fewer than 30% have ever used them.

Hearing aid sales in the United States totaled 3.97 million units in 2018 and sales were on pace to exceed 4.0 million units in 2019. If sales to Maryland residents are proportionate

to its share of the U.S. population (1.84%) and that each hearing aid lasts approximately five years, it is estimated that approximately 380,000 individuals in Maryland may be using a hearing aid.

*Cost of Tax-exempt Equipment and Parts*

An earmold is a piece of plastic, acrylic, or other soft material shaped to fit a person's ear canal, and/or the outer ear structure that surrounds the ear canal. An Internet search indicates that there are several types of earmolds and prices vary by type. For example, custom earmolds can range in price from \$80 to \$200. An Internet search indicates that there are several types of battery chargers for hearing aids and prices can range from \$20 to \$200. Receivers also vary in price depending on brand and type.

**State Expenditures:** The Comptroller's Office will incur a one-time expenditure increase of \$81,300 in fiscal 2021 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.

**Designated Cross File:** None.

**Information Source(s):** Johns Hopkins Bloomberg School of Public Health; Comptroller's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2020  
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