

Department of Legislative Services  
Maryland General Assembly  
2021 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

Senate Bill 904

(Senator Salling)

Budget and Taxation

Rules and Executive Nominations

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Sales and Use Tax - Study on Tax-Free Periods - University and College  
Textbooks

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This bill requires the Comptroller's Office, in consultation with the Maryland Higher Education Commission (MHEC) to study and, if applicable, make recommendations on the feasibility and fiscal impact of establishing two annual, 7-day sales tax-free periods in which the sale of a textbook is exempt from the State sales and use tax if the textbook is purchased by a full-time or part-time student that is enrolled at a specified community college, private nonprofit institution of higher education, public senior higher education institution, or regional higher education center. For purposes of the study, the two tax-free periods are presumed to be (1) the last 7 days of August and (2) the first 7 days of February of each year. The Comptroller's Office must report its findings and any recommendations to the General Assembly by December 31, 2021. **The bill takes effect July 1, 2021, and terminates June 30, 2022.**

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Fiscal Summary

**State Effect:** The bill's reporting requirements can be handled with the existing budgeted resources of the Comptroller's Office and MHEC. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** A textbook is defined as a book written, designed, and produced for educational, instructional, or pedagogical purposes and required for a course at specified community colleges, private nonprofit institutions of higher education, public senior higher

education institutions, or regional higher education centers. Textbook includes a book that is read using a computer, tablet, or any other electronic device.

**Current Law:** The sales and use tax is the State’s second largest source of general fund revenue, accounting for approximately \$4.7 billion in fiscal 2021 and \$4.9 billion in fiscal 2022, according to the December 2020 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, soft drinks 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 1.0% in all municipalities  |

\*An additional state tax of 0.7% is imposed in localities in Central Virginia, Northern Virginia and the Hampton Roads region, 1.0% is imposed in Halifax County, and an additional 1.7% is imposed in localities in the Historic Triangle.

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Chapter 348 of 2005 created a textbook consortium in the University System of Maryland (USM) to allow USM institutions to receive volume discounts on the purchase of textbooks by students.

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 792 (Delegate Anderton) - Ways and Means.

**Information Source(s):** Maryland Higher Education Commission; Comptroller's Office; University System of Maryland; Morgan State University; Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2021  
rh/hlb Third Reader - April 10, 2021  
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