

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 800 (Senator Guzzone)
Budget and Taxation

Sales and Use Tax - Electricity for Agricultural Purposes - Exemption

This bill exempts the purchase of electricity by a farmer from the State sales and use tax, when used to (1) raise livestock or poultry; (2) prepare, irrigate, or tend the soil; or (3) plant, service, harvest, store, clean, dry, or transport seeds or crops. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: General fund revenues may decrease by a significant amount beginning in FY 2023. Expenditures are not affected.

Local Effect: None.

Small Business Effect: Meaningful. Family farms and other small farms will not have to pay electricity costs for agricultural production activities.

Analysis

Current Law: The State sales and use tax does not apply to a sale of the following items for an agricultural purpose: (1) livestock; (2) feed or bedding for livestock; (3) seed, fertilizer, fungicide, herbicide, or insecticide; (4) baler twine or wire; (5) fuel for use in farm equipment or a farm tractor; and (6) if bought by a farmer, a container to transport farm products that the farmer raises to market; a specified farm vehicle when used in farming; a milking machine, when used in farming; fabrication, processing, or service, by a sawmill, of wood products for farm use in which the farmer retains title; and farm equipment when used to raise livestock; prepare, irrigate, or tend the soil; or plant, service, harvest, store, clean, dry, or transport seeds or crops.

The following document on the Comptroller’s website shows the items of tangible personal property and services that are subject to the State sales and use tax: [Sales and Use Tax List of Tangible Personal Property and Services \(marylandtaxes.gov\)](https://marylandtaxes.gov/Sales-and-Use-Tax-List-of-Tangible-Personal-Property-and-Services).

Sales and Use Tax

The sales and use tax is the State’s second largest source of general fund revenue, accounting for approximately \$5.5 billion in fiscal 2022 and \$5.7 billion in fiscal 2023, according to the December 2021 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; 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 70 municipalities

*An additional state tax of (1) 0.7% is imposed in localities in Central Virginia, Northern Virginia, and the Hampton Roads region; (2) 1.0% in Charlotte, Gloucester, Halifax, Henry, Northampton, and Patrick counties; and (3) 1.7% is imposed in localities in the Historic Triangle.

State Revenues: General fund revenues may decrease by a significant amount beginning in fiscal 2023. The amount of the revenue decrease depends on the amount of electricity used by farms in the State for agricultural production activities, which cannot be reliably estimated.

The U.S. Department of Agriculture's [2021 State Agriculture Overview for Maryland](#) indicates that there are 12,400 farm operations in the State using approximately 2.0 million acres. Additional information about Maryland agriculture is provided in the [state profile](#).

In fiscal 2020, light and power companies within Maryland remitted approximately \$135.0 million in sales and use taxes.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1002 (Delegates Luedtke and Sample-Hughes) - Ways and Means.

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

Fiscal Note History: First Reader - March 7, 2022
js/hlb

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