

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1197 (Delegate Saab, *et al.*)
 Ways and Means

Sales and Use Tax - Previously Purchased or Owned Personal Property -
 Exemption

This bill exempts from the State sales and use tax the retail sale or use of tangible personal property that was previously purchased or owned by a person other than the vendor. The exemption does not apply to lease or rental of tangible personal property. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$19.3 million in FY 2023 and by \$21.7 million in FY 2027. General fund expenditures increase by \$81,300 in FY 2023.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$19.3)	(\$19.9)	(\$20.5)	(\$21.1)	(\$21.7)
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$19.4)	(\$19.9)	(\$20.5)	(\$21.1)	(\$21.7)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: 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: The bill exempts the sale of second-hand goods from the State sales and use tax. As a result, general fund revenues will decrease by approximately \$19.3 million in fiscal 2023 and by \$21.7 million in fiscal 2027. The estimate is based on the following:

- The U.S. market share of second-hand goods is estimated to total \$16.9 billion in 2022, as reported by IBISWorld.
- Maryland accounts for 1.85% of the U.S. population.
- Revenues decrease by an additional 3% annually in future years.

To the extent that the actual amount of second-hand goods sold in the State differs from that used in the estimate, the effect on general fund revenues will vary accordingly.

State Expenditures: The Comptroller's Office will incur a one-time expenditure increase of \$81,300 in fiscal 2023 to notify the approximately 130,000 sales and use tax account holders of the sales tax change.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 28, 2022
fnu2/hlb

Analysis by: Michael Sanelli

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