

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 288
 Ways and Means

(Delegate Crosby, *et al.*)

Budget and Taxation

Sales and Use Tax - Baby Products - Exemption

This bill exempts the sale of baby bottles, baby bottle nipples, and infant car seats from the State sales and use tax. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$2.4 million in FY 2023 and by \$2.6 million in FY 2027. The State budget assumes the revenue reduction in FY 2023. Future year revenues decrease by 2% annually. General fund expenditures increase by \$81,300 in FY 2023.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$2.4)	(\$2.4)	(\$2.5)	(\$2.5)	(\$2.6)
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$2.5)	(\$2.4)	(\$2.5)	(\$2.5)	(\$2.6)

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 sales and use tax does not apply to a sale of tangible personal property that is manufactured for the purpose of initiating, supporting, or sustaining breastfeeding, including breast pumps, breast pump kits, nipple enhancers, breast shields, breast shells, supplemental nursing systems, softcup feeders, feeding tubes, breast milk storage bags, periodontal syringes, finger feeders, Haberman feeders, and purified lanolin.

Infant car seats are subject to the State sales and use tax.

State 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 decrease by approximately \$2.4 million in fiscal 2023 and by \$2.6 million in fiscal 2027. The estimate is based on national consumer spending data from the Consumer Expenditure Survey, as well as similar exemptions in other states, and then adjusted for the number of households in Maryland. It is estimated that future year revenues will decrease by 2% annually.

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 - January 31, 2022
rh/hlb Third Reader - June 2, 2022
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Revised - Budget Information - August 3, 2022

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