

**Department of Legislative Services**  
Maryland General Assembly  
2022 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 488

(Senator Griffith, *et al.*)

Budget and Taxation

Ways and Means

**Sales and Use Tax - Medical Devices and Products - Exemption**

This bill exempts from the State sales and use tax the sale of the following items: (1) medical or clinical thermometers; (2) pulse oximeters; (3) blood pressure monitors; (4) specified diabetic care products; and (5) an N95, China KN95, Japan DS, Korea 1<sup>st</sup> Class, AS/NZS P2, or European FFP2 filtering facepiece respirator. **The bill takes effect July 1, 2022.**

**Fiscal Summary**

**State Effect:** General fund revenues decrease by approximately \$8.9 million in FY 2023 and by \$9.6 million in FY 2027. The State budget assumes the revenue reduction in FY 2023. Future year revenues decrease by an additional 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	(\$8.9)	(\$9.1)	(\$9.2)	(\$9.4)	(\$9.6)
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$9.0)	(\$9.1)	(\$9.2)	(\$9.4)	(\$9.6)

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

**Local Effect:** None.

**Small Business Effect:** None.

**Analysis**

**Bill Summary:** Diabetic care items include insulin, glucose tablets, glucose drinks, glucose gels, blood and urine ketone meters and supplies, insulin pumps, insulin pump

infusion sets, insulin pump reservoirs or cartridges, continuous glucose monitors and related supplies, syringes, insulin injection devices, insulin pens, insulin pen needles, lancets and lancet devices, and testing strips for measuring blood sugar.

**Current Law:** The sale of medicines and specified medical supplies and certain health, physical, and hygienic aids are exempt from the State sales and use tax, as shown in the following document on the Comptroller’s website: [Sales and Use Tax List of Tangible Personal Property and Services \(marylandtaxes.gov\)](https://www.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.

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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; 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 \$8.9 million in fiscal 2023 and by \$9.6 million in fiscal 2027.

*Sales and Use Tax Exemption for Medical Supplies and Respirators*

General fund revenues decrease by approximately \$6.7 million in fiscal 2023 and by \$6.8 million in fiscal 2027. The estimate is based on (1) national consumer spending data from the Consumer Expenditure Survey; (2) worldwide and national sales data for medical or clinical thermometers, pulse oximeters, blood pressure monitors, and specified respirators as reported by Grand View Research and Transparency Market Research; and (3) the number of households in Maryland. It is estimated that future year revenues generally decrease by an additional 1% annually but fluctuate based on respirator sales.

*Sales and Use Tax Exemption for Diabetic Care Products*

The Comptroller's Office advises that several of the items listed in the bill are currently exempt from the sales and use tax. This includes (1) any good or service that is a single-use disposable medical equipment such as a syringe; (2) lancets; and (3) testing strips. In addition, some diabetic care products such as any monitoring device used exclusively for health reasons such as continuous glucose monitors, ketone meters, insulin pumps, and insulin pump infusion sets are exempt as durable medical equipment. Health aids such as insulin injection devices, insulin pens, and insulin needles, or any preset insulin syringes, are also exempt. Finally, diabetic medicines such as insulin are also exempt. Diabetic gels and tablets are not considered medicine and are therefore taxable.

Even though many of the items listed in the bill are currently exempt, it is still anticipated that general fund revenues will decrease by a significant amount beginning in fiscal 2023. The amount of the revenue decrease depends on the value of taxable diabetic care items that are sold in the State each year.

As a point of reference, it is estimated that general fund revenues decrease by approximately \$2.2 million in fiscal 2023 and by \$2.8 million in fiscal 2027, based on the following:

- Diabetic supply market in the United States totals \$18.9 billion in 2020.
- Sales of diabetic supplies increase by 6% annually.
- Maryland's share of the United States population is 1.85%.
- 90% of diabetic care products are currently exempt from the State sales and use tax.

To the extent that the actual proportion of taxable diabetic care products sold in the State differs from that used in the estimate, the effect on general fund revenues will vary accordingly.

The estimate assumes that soft drinks, sports drinks, energy drinks, and candy do not qualify as diabetic care products.

**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.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 364 (Delegate Henson, *et al.*) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 1, 2022  
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