

**Department of Legislative Services**  
 Maryland General Assembly  
 2023 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 20 (Senator Salling)  
 Budget and Taxation

**Sales and Use Tax - Tax-Free Period - Spring School Shopping**

This bill establishes an annual seven-day sales tax-free period, beginning in 2024, for spring school shopping for (1) clothing and footwear for students costing \$100 or less or (2) the first \$40 of the taxable price of any backpack or bookbag. The sales tax-free period begins March 21. **The bill takes effect July 1, 2023.**

**Fiscal Summary**

**State Effect:** General fund revenues decrease by approximately \$5.6 million in FY 2024 and by \$6.2 million in FY 2028. General fund expenditures increase by \$81,300 in FY 2024.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	(\$5.6)	(\$5.8)	(\$5.9)	(\$6.0)	(\$6.2)
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$5.7)	(\$5.8)	(\$5.9)	(\$6.0)	(\$6.2)

*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:** Chapter 6 of the 2007 special session created two annual sales tax-free periods: one in February for the purchase of specified Energy Star products or solar hot water heaters; and one in August for the purchase of any item of clothing or footwear,

excluding accessories, if the taxable price of the item of clothing or footwear is \$100 or less.

Chapters 236 and 237 of 2017 exempt from the State sales and use tax the first \$40 of the taxable price of any backpack or bookbag purchased during the annual sales and use tax-free period for back-to-school shopping.

The tax-free back-to-school shopping period extends from the second Sunday in August through the following Saturday.

### *State Sales and Use Tax*

The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$6.2 billion in fiscal 2023 and 2024, according to the December 2022 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%; 1.0% for eligible food items; 1.0% for specified essential personal hygiene items
West Virginia	6.0% plus 1.0% in specified 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. The sales and use tax rate for food and personal hygiene products decreased to 1.0% as of January 1, 2023.

**State Revenues:** General fund revenues decrease by approximately \$5.6 million in fiscal 2024 and by \$6.2 million in fiscal 2028. The estimate is based on the current general fund revenue forecast for the tax-free period for back-to-school shopping.

**State Expenditures:** The Comptroller's Office will incur a one-time expenditure increase of \$81,300 in fiscal 2024 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:** None.

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

**Fiscal Note History:** First Reader - January 17, 2023  
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