

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 174

(Senator Guzzone, *et al.*)

Budget and Taxation

Ways and Means

Sales and Use Tax Exemption - Redevelopment Areas in Baltimore County -
Sunset Extension

This bill extends the termination date of a sales and use tax exemption for the sale of specified construction materials and warehousing equipment in Baltimore County from June 30, 2026, to June 30, 2036. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: General fund and special fund revenues continue to decrease through FY 2036. Expenditures are not affected.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Chapters 603 and 604 of 2016 exempted from the State sales and use tax the sale of construction material or warehousing equipment, if the material or equipment is purchased by a person solely for use in a specified target redevelopment area in Baltimore County, and the buyer provides the vendor with evidence of eligibility for the exemption issued by the Comptroller.

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.

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.

Blueprint for Maryland's Future Fund

Chapter 33 of 2022 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Chapter 33 requires the Comptroller, after making certain other distributions, to pay to Blueprint for Maryland's Future Fund (BMFF) the following percentage of the remaining sales and use tax revenues:

- 9.2% for fiscal 2023;
- 11.0% for fiscal 2024;
- 11.3% for fiscal 2025;
- 11.7% for fiscal 2026; and
- 12.1% for fiscal 2027 and each subsequent fiscal year.

Chapter 33 also repealed the distribution of sales and use tax revenues to the BMFF from marketplace facilitators, certain out-of-state vendors, and specified digital products or digital codes.

State Revenues: General fund and special fund revenues continue to decrease through fiscal 2036. The amount of the decrease depends on the value of eligible construction material and warehousing equipment that is purchased for use on specified privately owned property in Baltimore County.

In fiscal 2021, the State collected \$102.4 million in sales taxes from various building and construction related categories in Baltimore County.

Small Business Effect: Small businesses located in the area designated will continue to benefit from decreased costs for materials and equipment. Conversely, any small businesses that are competitors of these businesses and do not qualify will be at a competitive disadvantage due to higher material and equipment costs.

Additional Comments: Tradepoint Atlantic is the owner, manager, and developer of Sparrows Point, a 3,200-acre industrial site, which is the former location of Bethlehem Steel in Baltimore County. Since 2015, 36 companies and over 12,000 new permanent jobs have located to the site.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 237 (Delegates Atterbeary and Metzgar) - Ways and Means.

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

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