

Department of Legislative Services  
Maryland General Assembly  
2023 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 678  
Ways and Means

(Delegate Sample-Hughes, *et al.*)

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Sales and Use Tax - Electricity for Agricultural Purposes - Study and Report

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This bill requires the Comptroller’s Office, in consultation with the Public Service Commission and PJM Interconnection to study and report on exempting electricity from the sales and use tax if that electricity is purchased by a farmer to (1) raise livestock or poultry; (2) prepare, irrigate, or tend the soil; or (3) plant, service, harvest, store, clean, dry, or transport seeds or crops. The report must be submitted to the General Assembly by December 15, 2023, and must include an estimate of the fiscal impact of the sales and use tax exemption. An electric company must provide, on request from the Comptroller’s Office, aggregate usage and billing information that is determined to be necessary to prepare the required report. **The bill takes effect July 1, 2023.**

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Fiscal Summary

**State Effect:** General fund expenditures for the Comptroller’s Office may increase in FY 2024 to conduct the required study. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** The State sales and use tax does not apply to a sale of the following items for an agricultural purpose: (1) livestock; (2) feed or bedding for livestock; (3) seed, fertilizer, fungicide, herbicide, or insecticide; (4) baler twine or wire; (5) fuel for use in farm equipment or a farm tractor; and (6) if bought by a farmer, a container to transport farm products that the farmer raises to market; a specified farm vehicle when used in farming; a milking machine, when used in farming; fabrication, processing, or service, by a sawmill, of wood products for farm use in which the farmer retains title; and farm

equipment when used to raise livestock; prepare, irrigate, or tend the soil; or plant, service, harvest, store, clean, dry, or transport seeds or crops.

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/SalesandUseTaxListofTangiblePersonalPropertyandServices).

### *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.

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### *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 the 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.

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### **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Comptroller's Office; Maryland Department of Agriculture; Maryland Farm Bureau; Department of Legislative Services

**Fiscal Note History:** First Reader - February 22, 2023  
rh/hlb Revised - Updated Information - March 8, 2023  
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Analysis by: Michael Sanelli

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