

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1169
Ways and Means

(Delegate Fisher, *et al.*)

Sales and Use Tax - Precious Metal Bullion or Coins - Exemption

This bill expands a State sales and use tax exemption for the sale of precious metal bullion or coins, by exempting all such sales from the State sales and use tax. Under current law, only a sale of precious metal bullion or coins with a sale price greater than \$1,000 is exempt from the State sales and use tax. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: General fund and special fund revenues decrease beginning in FY 2024. General fund expenditures increase by \$81,300 in FY 2024.

Local Effect: None.

Small Business Effect: Potential meaningful. Vendors that deal in the sale of precious metal bullion or coins may realize additional transactions as a result of the change.

Analysis

Current Law: The sale of precious metal bullion or coins is exempt from the State sales and use tax if the sale price is greater than \$1,000.

State Sales and Use Tax

The State sales and use tax rate is 6%, except for the sale of alcoholic beverages, which are taxed at a rate of 9%. 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 decrease beginning in fiscal 2024. However, there is limited data available on the sale of gold and other precious metals in the State upon which to base a reliable estimate of the revenue impact of expanding the exemption. The actual impact on State revenues depends on the number of transactions that occur each year and the value of these transactions. To the extent the volume of sales and the prices of various precious metals vary over time, State revenues will be affected accordingly.

As a point of reference, total sales and use tax revenues decrease by \$30 for each \$500 sale of precious metal bullion or coins exempt under the bill.

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.

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; Department of Legislative Services

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js/hlb

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