

Department of Legislative Services  
Maryland General Assembly  
2024 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 557  
Ways and Means

(Delegate Adams, *et al.*)

Budget and Taxation

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Sales and Use Tax Exemption - Aircraft Parts and Equipment - Repeal of  
Reporting Requirement and Extension of Sunset

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This bill extends, from June 30, 2025, to June 30, 2030, the termination date of Chapter 638 of 2020, which exempted the sale of specified aircraft parts and equipment from the State sales and use tax. The bill also repeals a specified reporting requirement. **The bill takes effect July 1, 2024.**

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Fiscal Summary

**State Effect:** General fund and special fund revenues continue to decrease through FY 2030. The amount of the decrease depends on the cost of exempt materials and parts used to repair or maintain aircraft and the amount sold each year.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. Small businesses involved in the repair and maintenance of aircraft may benefit due to more competitive pricing as the State sales and use tax rate for materials and parts will remain comparable to the sales and use tax rates in surrounding states.

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Analysis

**Current Law:** Chapter 638 provided an exemption from the State sales and use tax for the sale of materials, parts, or equipment used to repair, maintain, or upgrade aircraft or the avionics systems of aircraft if installed on an aircraft that has (1) a maximum gross takeoff weight of less than 12,500 pounds or (2) a maximum gross takeoff weight of 12,500 pounds or more and is primarily used in interstate or foreign commerce.

Chapter 638 required the Comptroller to report to the General Assembly by December 31 of each year on (1) the amount of sales and use tax revenue lost from the exemption and (2) any change to the number of aviation technicians employed in the State as a result of the exemption.

A copy of the report, submitted in January 2022, can be found [here](#).

### *State Sales and Use Tax*

The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$5.9 billion in fiscal 2024 and \$6.1 billion in fiscal 2025, according to the December 2023 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; 14.95% for transient accommodations; 18% for motor vehicle parking in commercial lots
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, Patrick, and Pittsylvania counties and the City of Danville; and (3) 1.7% is imposed in James City County, York County, and Williamsburg (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 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.

**State Fiscal Effect:** General fund and special fund revenues continue to decrease through fiscal 2030. The amount of the decrease depends on the cost of exempt materials and parts used to repair or maintain aircraft and the amount sold each year. Based on the most recent report prepared by the Comptroller's Office, specific information on the revenue loss resulting from the tax exemption cannot be provided.

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### **Additional Information**

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

**Designated Cross File:** SB 574 (Senator Corderman, *et al.*) - Budget and Taxation.

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

**Fiscal Note History:** First Reader - February 5, 2024  
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