

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 461 (Delegate Schmidt, *et al.*)
 Ways and Means

Sales and Use Tax - Cut Flowers - Exemption

This bill exempts the sale of cut flowers from the State sales and use tax. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: General fund revenues decrease by \$9.3 million in FY 2026 and Blueprint for Maryland’s Future Fund (BMFF) revenues decrease by \$1.2 million. Future year decreases reflect forecasted sales and use tax growth rates. Expenditures are not affected.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	(\$9.3)	(\$9.6)	(\$9.9)	(\$10.3)	(\$10.7)
SF Revenue	(\$1.2)	(\$1.3)	(\$1.4)	(\$1.4)	(\$1.5)
Expenditure	0	0	0	0	0
Net Effect	(\$10.5)	(\$10.9)	(\$11.3)	(\$11.7)	(\$12.2)

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: The sale of cut flowers is subject to the State sales and use tax.

State Sales and Use Tax

The sales and use tax is the State’s second largest source of general fund revenue, accounting for approximately \$6.0 billion in fiscal 2025 and \$6.1 billion in fiscal 2026,

according to the December 2024 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; 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 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: Providing a tax exemption on the sale of cut flowers may reduce total State sales and use tax revenues by approximately \$10.5 million beginning in fiscal 2026. Future year revenues are projected to decrease by over \$12 million by fiscal 2030. This estimate is based on the following facts and assumptions:

- Data from Grand View Research, a global market research firm, indicate that global cut flower sales totaled approximately \$37.5 billion in 2023.
- Sales within the United States are estimated to total \$8.3 billion.
- Maryland represents approximately 1.9% of the U.S. population.
- Sales increase by 3.8% annually.

As noted, Chapter 33 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Therefore, any decrease in sales and use tax revenues will also reduce BMFF revenues. Based on the estimate above, general fund revenues decrease by \$9.3 million in fiscal 2026 and BMFF revenues decrease by \$1.2 million.

Additional Information

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

Designated Cross File: SB 460 (Senator Gile) - Budget and Taxation.

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

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Analysis by: Michael Sanelli

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