

**Department of Legislative Services**  
 Maryland General Assembly  
 2025 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 47 (Delegates Szeliga and Sample-Hughes)  
 Ways and Means

**Sales and Use Tax - Baby Products - Exemption**

This bill exempts the sale of the following products from the State sales and use tax: (1) a potty chair designed for use by children; (2) a high chair or booster seat; (3) a crib or bassinet; (4) a stroller; (5) an item of infant clothing, a swaddle, a bib, or an infant blanket; and (6) a baby monitor. The bill also codifies the existing exemptions for baby food or baby formula and specified baby monitors. **The bill takes effect July 1, 2025.**

**Fiscal Summary**

**State Effect:** General fund and special fund revenues decrease by a significant amount beginning in FY 2026. Under one set of assumptions, total sales and use tax revenues decrease by approximately \$12.5 million in FY 2026 and by \$13.5 million in FY 2030. State expenditures are not affected.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	(\$11.1)	(\$11.2)	(\$11.4)	(\$11.7)	(\$11.9)
SF Revenue	(\$1.5)	(\$1.5)	(\$1.6)	(\$1.6)	(\$1.6)
Expenditure	0	0	0	0	0
Net Effect	(\$12.5)	(\$12.8)	(\$13.0)	(\$13.3)	(\$13.5)

*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 State sales and use tax does not apply to the sale of the following baby products: baby oil or baby powder, diapers, diaper rash cream, baby wipes, baby bottles, baby bottle nipples, and infant car seats, including booster seats and components. A report by the Comptroller’s Office indicates that sales of the following items are also exempt from the sales and use tax: formula, baby food, and infant breathing monitors. Baby video monitors are taxable.

A copy of the report can be found here: [Sales and Use Tax List of Tangible Personal Property and Services \(marylandtaxes.gov\)](https://marylandtaxes.gov).

### *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 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 Revenues:** Total State sales and use tax revenues decrease by a significant amount beginning in fiscal 2026. The amount of the revenue decrease depends on the sales of exempt baby products each year. Based on a review of available worldwide and national sales and price data of baby products exempt under the bill and compared to Maryland's share of the U.S. gross domestic product, the Comptroller's Office estimates that sales of these products could total \$207 million in fiscal 2026. As a result, total sales and use tax revenues could decrease by approximately \$12.5 million in fiscal 2026 and by \$13.5 million in fiscal 2030.

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 \$11.1 million, and BMFF revenues decrease by approximately \$1.5 million in fiscal 2026.

---

### **Additional Information**

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See HB 606 of 2024.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - January 21, 2025  
rh/hlb

---

Analysis by: Michael Sanelli

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