

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 698 (Senator Corderman)
Budget and Taxation

Washington County - Sales and Use Tax Exemption - Target Redevelopment Area

This bill provides a State sales and use tax exemption over a 10-year period for the sale of specified construction material or warehousing equipment purchased by a person solely for use in a target redevelopment area in Washington County. **The bill takes effect July 1, 2025, and terminates June 30, 2035.**

Fiscal Summary

State Effect: State revenues decrease by an indeterminate amount in FY 2026 through 2035. Potential minimal increase in expenditures for the Comptroller’s Office due to tax compliance efforts during this period.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: A target redevelopment area is defined as real property in Washington County that is known as the Mount Aetna Technology Park and accessible from Robinwood Drive, Mount Aetna Road, and Yale Drive and is located in an office, research, and industry zoning district.

Construction material is defined as an item of tangible personal property that is used to construct or renovate a building, a structure, or an improvement on land and that typically loses its separate identity as personal property once incorporated into the real property.

Construction material includes building materials, building systems equipment, landscaping materials, and supplies.

Warehousing equipment is defined as equipment used for material handling and storage, including racking systems, conveying systems, and computer systems and equipment.

Current Law:

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.

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.

Target Redevelopment Area in Baltimore County

Chapters 603 and 604 of 2016 exempt from the State sales and use tax a sale of construction material or warehousing equipment if the material or equipment is purchased by a person solely for use in a specified target redevelopment area in Baltimore County and the buyer provides the vendor with evidence of eligibility for the exemption issued by the Comptroller.

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.

A target redevelopment area is any real property owned or leased by a person in Baltimore County that (1) was previously owned at any time by Bethlehem Steel Corporation or any of its subsidiaries and (2) was, as of January 1, 2016, the subject of an approved application for participation in a specified voluntary cleanup program under provisions of the Environment Article.

Construction material is defined as an item of tangible personal property that is used to construct or renovate a building, a structure, or an improvement on land and that typically loses its separate identity as personal property once incorporated into the real property. Construction material includes building materials, building systems equipment, landscaping materials, and supplies.

Warehousing equipment is defined as equipment used for material handling and storage, including racking systems, conveying systems, and computer systems and equipment.

State Fiscal Effect: General fund and special fund revenues decrease by an indeterminate amount in fiscal 2026 through 2035. The amount of the revenue decrease in any year depends on the value of eligible construction material and warehousing equipment that is purchased for use in the Mount Aetna Technology Park, which is designated as the target redevelopment area in Washington County.

The Mount Aetna Technology Park is comprised of over 150 acres in the Hagerstown area and is situated between Hagerstown Community College, Robinwood Medical Center, and Meritus Health System.

In fiscal 2022, the State collected \$937.2 million in sales and use taxes from various building and construction related categories, including \$20.7 million from businesses that filed a sales and use tax return with an address in Washington County.

The Comptroller's Office advises that there could be an increase in agency expenditures to monitor and verify eligibility for the sales and use tax exemption. The amount of any expenditure increase will be dependent on the number of businesses that are eligible for the sales and use tax exemption.

Small Business Effect: Small businesses located in the area designated under the bill will potentially benefit from decreased costs for materials and equipment. Conversely, any small businesses that are competitors of these businesses and do not qualify for the sales and use tax exemption designation will be at a competitive disadvantage due to higher material and equipment costs.

Additional Information

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

Designated Cross File: None.

Information Source(s): Washington County; Comptroller's Office; State Department of Assessments and Taxation; Department of Legislative Services

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