

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1554
Ways and Means

(Delegates Hornberger and Sample-Hughes)

Sales and Use Tax - Electricity for Agriculture Purposes - Study and Report

This bill requires the Comptroller’s Office, in consultation with the Public Service Commission and PJM Interconnection to study and report on exempting electricity from the sales and use tax if that electricity is purchased by a farmer to (1) raise livestock or poultry; (2) prepare, irrigate, or tend the soil; or (3) plant, service, harvest, store, clean, dry, or transport seeds or crops. The report must be submitted to the General Assembly by December 15, 2026, and must include an estimate of the fiscal impact of the sales and use tax exemption. An electric company must provide, on request from the Comptroller’s Office, aggregate usage and billing information that is determined to be necessary to prepare the required report. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures for the Comptroller’s Office may increase in FY 2027 to conduct the required study. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The State sales and use tax does not apply to a sale of the following items for an agricultural purpose: (1) livestock; (2) feed or bedding for livestock; (3) seed, fertilizer, fungicide, herbicide, or insecticide; (4) baler twine or wire; (5) fuel for use in farm equipment or a farm tractor; and (6) if bought by a farmer, a container to transport farm products that the farmer raises to market; a specified farm vehicle when used in

farming; a milking machine, when used in farming; fabrication, processing, or service, by a sawmill, of wood products for farm use in which the farmer retains title; and farm equipment when used to (a) raise livestock; (b) prepare, irrigate, or tend the soil; or (c) plant, service, harvest, store, clean, dry, or transport seeds or crops.

Sales and Use Tax

The general State sales and use tax rate is 6%. Higher sales and use tax rates apply to the retail sale of alcoholic beverages and adult-use cannabis, which is taxed at 9% and 12%, respectively.

The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$6.1 billion in fiscal 2026 and \$6.2 billion in fiscal 2027, according to the December 2025 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; 18.0% for motor vehicle parking in commercial lots
Maryland	6.0%; 9.0% for alcoholic beverages; 12.0% for adult-use cannabis
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.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 678 of 2023.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Public Service Commission; Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2026
caw/hlb

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