



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

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HOUSE BILL 868 Sales and Use Tax - Taxable Price - Exemption for Trade-in Value of Portable Electronics

STATEMENT OF INFORMATION

DATE: February 22, 2024

COMMITTEE: Ways and Means

SUMMARY OF BILL: House Bill 868 alters, for laws concerning the sales and use tax, the definition of "taxable price" to exclude the value of credit provided for a trade-in of certain portable electronics accepted in partial payment under certain circumstances.

EXPLANATION: The Comptroller's Office estimates that, although the bill will reduce the size of taxable sales subject to the tax exemption, the impact that might be expected from exempting the trade-in value of smartphone sales will result in a decrease in revenue.

The results of this analysis can be seen below:

(\$ Millions)	FY 25	FY 26	FY 27	FY 28	FY 29
Foregone General Fund Revenue	(19.3)	(21.2)	(23.1)	(25.0)	(26.9)

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and will be working with the General Assembly to achieve structural balance over the long-term. In light of current projected general fund deficits in fiscal 2026 forward, the Department urges caution in passing legislation significantly reducing general fund revenues. State government must be intentional, disciplined, and strategic with its allocation of State funding to ensure maximum impact toward priority outcomes.

It would be challenging for the State to manage this revenue loss given the forecasted out-year deficits for the General Fund.

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