

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 1062

(Senators Guzzone and Salling)

Budget and Taxation

Ways and Means

Baltimore County - Sales and Use Tax Exemption - Redevelopment Areas

This bill exempts 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.

The bill takes effect July 1, 2016, and terminates June 30, 2026.

Fiscal Summary

State Effect: General fund revenues decrease by a potentially significant amount in FY 2017 through 2026. The amount of the decrease depends on the value of eligible construction material and warehousing equipment that is purchased for use on specified privately owned property in Baltimore County. General fund expenditures for administrative costs in the Comptroller's Office increase by \$81,300 in FY 2017.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: 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.

Current Law/Background: The State sales and use tax rate is 6%. The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$4.5 billion in fiscal 2016 and \$4.7 billion in fiscal 2017, according to the December 2015 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%
District of Columbia	5.75%; 10% for liquor sold for off-the-premises consumption and restaurant meals, liquor for consumption on the premises, and rental vehicles
Maryland	6% 9% for alcoholic beverages
Pennsylvania	6% plus 1% or 2% in certain local jurisdictions
Virginia*	5.3%; 2.5% for food, both rates include 1% for local jurisdictions
West Virginia	6%; plus 0.5% or 1% in certain municipalities

*An additional state tax of 0.7% is imposed in localities in Northern Virginia and the Hampton Roads region.

The site of the former Bethlehem Steel mill at Sparrows Point in Baltimore County has been renamed Tradepoint Atlantic. There are plans to redevelop the 3,100 acre site as an industrial and transportation complex.

State Fiscal Effect: General fund revenues decrease by a potentially significant amount in fiscal 2017 through 2026. The amount of the decrease depends on the value of eligible construction material and warehousing equipment that is purchased for use on specified privately owned property in Baltimore County.

In fiscal 2015, the State collected \$87.7 million in sales taxes from various building and construction related categories in Baltimore County. As a point of reference, if purchases of eligible materials in the area of Baltimore County specified by the bill equal 5% of these collections, general fund revenues would decrease by \$4.4 million annually.

The Comptroller's Office would incur a one-time expenditure increase of \$81,300 in fiscal 2017 to notify the approximately 130,000 sales and use tax account holders of the sales tax change.

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 will be at a competitive disadvantage due to higher material and equipment costs.

Additional Information

Prior Introductions: None.

Cross File: HB 1533 (Delegate P. Young, *et al.*) - Ways and Means.

Information Source(s): Montgomery County, Maryland Association of Counties, Maryland Municipal League, Comptroller's Office, Department of Commerce, Maryland Department of Planning, Department of Legislative Services

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