

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1366
Ways and Means

(Delegates Lisanti and Johnson)

Harford County - Telecommunications Service Tax - Authorization

This bill authorizes Harford County to impose a sales and use tax on residential, nonresidential, or mobile telecommunications services in the county. The tax may not exceed \$2.00 for each line of telecommunications service. The net revenue proceeds are dedicated to the Harford County Public School System. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: None.

Local Effect: Harford County revenues may increase by \$6.2 million annually beginning in FY 2021. County expenditures are not directly affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: Harford County is authorized to impose a tax on telecommunications services, at a rate not to exceed \$2.00 for each line of telecommunications service. The tax must be itemized on each bill for telecommunications service in Harford County. In addition, each vendor that provides telecommunications service in Harford County must collect and remit the tax to the county.

Tax Exempt Provisions

The tax does not apply to (1) telecommunications service provided to a person to whom a sale of tangible personal property or a taxable service is exempt; (2) a taxable prepaid telephone calling arrangement; or (3) a specified telephone lifeline service.

Use of Revenue Proceeds

The net revenue proceeds are dedicated to the Harford County Public School System. The revenue proceeds may not be used to supplant (1) any State aid for education provided to Harford County or (2) any county funds provided to the Harford County Public School System.

Current Law: Five jurisdictions currently impose a sales tax on telecommunications services (**Exhibit 1**). Local revenue collections are estimated to total \$151.1 million in fiscal 2020 (**Exhibit 2**), ranging from \$5.4 million in Anne Arundel County to \$56.3 million in Montgomery County. On a per capita basis, local revenue collections range from \$9 in Anne Arundel County to \$57 in Baltimore City.

Exhibit 1
Local Sales Tax Rates – Telecommunication Services
Fiscal 2020

<u>County</u>	<u>Unit Taxed</u>	<u>Tax Rate</u>
Anne Arundel	Telephone – residential and nonresidential	8% sales tax
Baltimore City	Telephone – residential, nonresidential, and wireless	\$4.00 per line
	Centrex	\$0.40 per line
Baltimore	Telephone – residential, nonresidential, and wireless	8% sales tax
Montgomery	Telephone – residential, nonresidential, and wireless	\$3.50 per line
	Centrex Access and Trunk Lines	\$0.20 per line
	Other Access and Trunk Lines	\$2.00 per line
	Voice Over Internet Protocol (VOIP)	\$2.00 per line
Prince George’s	Telephone – residential, nonresidential, and wireless	9% sales tax

Source: Maryland Association of Counties and Department of Legislative Services Budget and Tax Rate Survey, August 2019

Exhibit 2
Local Sales Tax Revenues – Telecommunication Services
Fiscal 2020

<u>County</u>	<u>Revenue Amount</u>	<u>Per Capita Amount</u>
Anne Arundel	\$5,400,000	\$9.37
Baltimore City	34,586,000	57.40
Baltimore	31,238,300	37.71
Montgomery	56,316,800	53.50
Prince George’s	23,559,300	25.91
Total	\$151,100,400	\$38.07

Source: Fiscal 2020 County Budget Documents; Department of Legislative Services

Background: The local appropriation for the public school system in Harford County totals \$256.5 million in fiscal 2020. This represents a 4.3% increase over the amount provided in the prior year. On a per pupil basis, Harford County ranks 13th on the amount of local funding provided to the public school system. Additional information on public school revenue sources can be found in the [Local Government Overview report](#). A copy of the report is available on the Department of Legislative Services website.

The Blueprint for Maryland’s Future

The Blueprint for Maryland’s Future Fund is a special nonlapsing fund that may be used only to assist in providing adequate funding for early childhood education and primary and secondary education based on the recommendations of the Commission on Innovation and Excellence in Education, including revised education funding formulas. Chapter 771 of 2019 established in statute the policy framework for a world-class education system in Maryland based on the commission’s recommendations. When fully phased-in, the commission’s recommendations are expected to require an additional \$2.8 billion in State funding and \$1.2 billion in local funding by fiscal 2030.

Based on current projections, the required local funding increase in Harford County is estimated to total \$12.3 million by fiscal 2030.

Local Fiscal Effect: Harford County revenues may increase by approximately \$6.2 million annually beginning in fiscal 2021 to the extent the county enacts a telecommunications tax. The estimate is based on the following:

- Harford County currently imposes a \$0.75 per phone line fee for 9-1-1 services;

- Harford County collected \$582,100 in 9-1-1 fees during the second quarter of fiscal 2020, which equals approximately \$194,000 per month;
- the 9-1-1 fee is imposed on approximately 258,700 telephone lines per month; and
- the new telecommunications fee is set at \$2.00 per line.

The net revenue proceeds must be used for public school expenditures.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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mr/hlb

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