

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 937 (Delegates Young and Mireku-North)
 Ways and Means

Sales and Use Tax - Firearms, Firearm Accessories, and Ammunition - Rate Alteration

This bill increases, from 6% to 12%, the State sales and use tax imposed on the sale of firearms, firearm accessories, and ammunition in the State. A firearm accessory is defined as (1) a magazine or magazine loader; (2) a firearm scope or optic; (3) a stock; (4) a grip; (5) a handguard; or (6) body armor. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: General fund revenues increase by \$10.7 million in FY 2026 and Blueprint for Maryland’s Future Fund (BMFF) revenues increase by \$1.4 million. Future year revenues reflect annual growth in firearm sales. The Comptroller’s Office incurs minimal increases in FY 2026 due to additional computer programming.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	\$10.7	\$11.0	\$11.5	\$11.9	\$12.4
SF Revenue	\$1.4	\$1.5	\$1.6	\$1.6	\$1.7
Expenditure	0	0	0	0	0
Net Effect	\$12.1	\$12.6	\$13.0	\$13.5	\$14.1

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Potential meaningful. Retailers in Maryland could realize a decrease in sales resulting from an increase in the sales and use tax rate.

Analysis

Current Law: The federal government imposes an excise tax on firearms and ammunition (FAET) at a rate of 10% on the sales price of pistols and revolvers, and 11% on the sales price of other portable weapons (*e.g.*, rifles and shotguns) and ammunition. Federal law is enforced by the Alcohol and Tobacco Tax and Trade Bureau (TTB) of the U.S. Department of Treasury. The Maryland 6% State sales and use tax applies to the sale of firearms, ammunition, and firearm accessories. There are approximately 750 federal firearm licensees in Maryland.

State Sales and Use Tax

The State sales and use tax rate is 6%, except for the sale of alcoholic beverages and cannabis products, which are taxed at a rate of 9%. 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 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.

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.

State Revenues: The bill imposes a 12% sales and use tax on the sale of firearms, firearm accessories, and ammunition in the State, which is a 6 percentage point increase over current law. As a result, total sales and use tax revenues increase by approximately \$12.1 million in fiscal 2026 and by \$14.1 million in fiscal 2030.

The estimate is based on the following:

- for the period of July 1, 2022, through June 30, 2023 (Maryland fiscal 2023), TTB collected \$993.4 million in FAET revenues nationally;
- Maryland represents approximately 1.85% of the U.S. population; and,
- firearm sales increase by approximately 3.8% annually.

As noted, Chapter 33 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Therefore, any increase in sales and use tax revenues will also increase BMFF

revenues. Based on the estimate above, general fund revenues increase by \$10.7 million in fiscal 2026 and by \$12.4 million in fiscal 2030 and BMFF revenues increase by \$1.4 million in fiscal 2026 and by \$1.7 million in fiscal 2030.

To the extent that actual sales of firearms, ammunition, and firearm accessories in Maryland are different from the estimate (as a percent of the U.S. population), the amount of the revenue increase will vary accordingly.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 784 and HB 935 of 2024.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Department of State Police; Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2025
js/hlb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510