

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Betsy B. Carr

2. **Bill Number** HB 534

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Passed House and Senate

4. **Title** Plastic Bag Tax

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would permit any county or city to impose by ordinance a tax in the amount of five cents (\$0.05) for each disposable plastic bag provided, whether or not provided free of charge, to a consumer of tangible personal property by retailers in grocery stores, convenience stores, or drugstores. The bill would allow every retailer that collects the tax to retain a portion of the five-cent tax.

The plastic bag tax would not apply to:

- Durable plastic bags with handles that are specifically designed and manufactured for multiple reuse and that are at least four mils thick;
- Plastic bags that are solely used to wrap, contain, or package ice cream, meat, fish, poultry, produce, unwrapped bulk food items, or perishable food items in order to avoid damage or contamination;
- Plastic bags used to carry dry cleaning or prescription drugs; and
- Multiple plastic bags sold in packages and intended for use as garbage, pet waste, or leaf removal bags.

The tax would be administered by the Department of Taxation ("the Department"), and the Department would be required to develop guidelines for implementing this tax.

All revenue accruing to the county or city from a disposable plastic bag tax would be required to be appropriated for the purposes of environmental cleanup, providing education programs designed to reduce environmental waste, mitigating pollution and litter, or providing reusable bags to recipients of Supplemental Nutrition Assistance Program (SNAP) or Women, Infants, and Children Program (WIC) benefits.

This bill would become effective July 1, 2020. No local tax imposed under its authority could be effective before January 1, 2021.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

8. Fiscal implications:

Administrative Costs

This bill would result in administrative costs to the Department of \$61,000 in Fiscal Year 2020; \$533,000 in Fiscal Year 2021; \$15,000 in Fiscal Years 2022 and 2023; and then \$14,000 annually thereafter. Such expenses would be associated with forms and systems changes, and notifying taxpayers of the new tax.

Item 282(Z) of House Bill 30 provides the necessary appropriation for the Department of Taxation to recover its costs of administering the Disposable Plastic Bag Tax from the revenues collected.

Revenue Impact

The tax proposed in this bill would result in a local revenue gain. The magnitude of the revenue gain from this tax would depend on the number of bags used and consumer shopping behavior.

9. Specific agency or political subdivisions affected:

Department of Taxation
Localities

10. Technical amendment necessary: No.

11. Other comments:

Neighboring Localities

District of Columbia: Currently, the District of Columbia imposes a fee on disposable carry-out bags. Retailers that sell food or alcohol must charge a \$0.05 fee for each paper or plastic disposable bag provided to customers at the point of sale. Retailers may retain \$0.01 of the fee collected or \$0.02 if the retailer allows customers a credit for providing their own bags for packaging purchases.

Montgomery County, Maryland: Montgomery County enacted legislation in 2011 that imposes a five-cent fee on every paper or plastic carryout bag provided by retail establishments in the County, and allows retailers to retain 1 cent for the bags they sell a customer.

Proposal

This bill would permit any county or city, by duly adopted ordinance, to impose a tax in the amount of five cents (\$0.05) for each disposable plastic bag provided, whether or not provided free of charge, to a consumer of tangible personal property by retailers in grocery stores, convenience stores, or drugstores.

The plastic bag tax would not apply to:

- Durable plastic bags with handles that are specifically designed and manufactured for multiple reuse and that are at least four mils thick;
- Plastic bags that are solely used to wrap, contain, or package ice cream, meat, fish, poultry, produce, unwrapped bulk food items, or perishable food items in order to avoid damage or contamination;
- Plastic bags used to carry dry cleaning or prescription drugs; and
- Multiple plastic bags sold in packages and intended for use as garbage, pet waste, or leaf removal bags.

The bill would provide that beginning January 1, 2021, and ending January 1, 2023, every retailer that collects a plastic bag tax imposed by a county or city would be allowed to retain two cents (\$0.02) from the tax collected on each disposable plastic bag. Beginning January 1, 2023, every retailer that collects a tax imposed by a county or city would be allowed to retain one cent (\$0.01) from the tax collected on each disposable plastic bag.

The tax would be administered by the Department, and the Department would be required to develop guidelines for implementing this tax.

All revenue accruing to the county or city from a disposable plastic bag tax must be appropriated for the purposes of environmental cleanup, providing education programs designed to reduce environmental waste, mitigating pollution and litter, or providing reusable bags to recipients of Supplemental Nutrition Assistance Program (SNAP) or Women, Infants, and Children Program (WIC) benefits.

Each local ordinance imposing the tax would be required to provide for the tax to become effective on the first day of a calendar quarter. The county or city would be required to provide a certified copy of such ordinance to the Tax Commissioner at least three months prior to the date the tax is to become effective.

This bill would become effective July 1, 2020. No local tax imposed under its authority could be effective before January 1, 2021.

Similar Legislation

Senate Bill 11 is identical to this bill.

cc: Secretary of Finance

Date: 3/24/2020 SK
HB534FER161