

Annapolis, Maryland 21404

Dear Mr. Speaker:

In accordance with Article II, Section 17 of the Maryland Constitution, I have today vetoed House Bill 754.

This bill, and its companion, Senate Bill 491, exempt from the State sales and use taxes the sale of tangible personal property to a person under contract to incorporate the property into realty in another State or the District of Columbia, provided that the purchase or use of the property is not subject to a sales or use tax in that State or District.

The purpose of the bill is to improve the competitive advantage of Maryland contractors desiring to do work in Delaware, which has no sales tax, and the District of Columbia, which exempts government contracts from its sales and use taxes, by exempting from the Maryland sales and use taxes their purchase of tangible personal property in Maryland that will be used on jobs in those other jurisdictions.

I have no objection to legislation that would make it easier for Maryland business to compete in other jurisdictions. However, the effect of this bill, according to the Director of the Retail Sales Tax Division, would be an annual loss to the State of over \$1,000,000 in sales and use tax revenue.

As every member of the General Assembly knows, it was their painful duty to raise the State sales, use, and excise taxes this year in order to place the State on a sound fiscal footing for the future, and to assure that the various programs in the areas of education, health, and social services enacted to benefit all the citizens of Maryland can continue to be implemented. At a time when the State so desperately needs the additional revenue, and all of the people are being asked to pay more taxes, I do not believe it wise or fair to give a special break to but one class of commercial taxpayer.

For that reason, I have vetoed House Bill 754.

Sincerely,
Marvin Mandel
Governor
