

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

House Bill 862 (Delegate D. Murphy)  
Ways and Means

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Sales and Use Tax - Rebates and Coupons

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This bill exempts from the sales and use tax any rebate or coupon issued by the vendor or a manufacturer.

The bill is effective July 1, 1997.

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Fiscal Summary

**State Effect:** General fund revenues could decrease by \$3.10 million in FY 1998. Out-year estimates reflect a 2% growth rate. Expenditures would not be affected.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	(\$3.10)	(\$3.16)	(\$3.23)	(\$3.29)	(\$3.36)
GF Expenditures	0	0	0	0	0
Net Effect	(\$3.10)	(\$3.16)	(\$3.23)	(\$3.29)	(\$3.36)

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

**Local Effect:** None.

**Small Business Effect:** Potential minimal effect on small businesses as discussed below.

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Fiscal Analysis

**State Expenditures:** General fund revenues could decline by an estimated \$3.10 million in fiscal 1998 based on the following. Approximately 5.80 billion manufacturer coupons were redeemed in the United States in fiscal 1995. Maryland's share is estimated to be the same proportion as Maryland's population is to the country, 2%. Accordingly, it is estimated that 116 million manufacturer coupons were redeemed in Maryland. Based on industry data the average coupon value was \$0.73 and an estimated 60% of redeemed coupons were on taxable products, thus sales tax revenues would decline by \$2.54 million in fiscal 1995. Also, rebates

are estimated to be 15% of the coupons redeemed, resulting in an additional loss of \$388,700 in sales tax revenues in fiscal 1995. Growth is assumed to be 2% per year, so fiscal 1998 revenues are estimated to decline by approximately \$3.10 million.

**Small Business Effect:** Reduced sales tax liabilities decreases the total price of the merchandise. However, any increase in demand resulting from lower prices is assumed to be minimal.

Under this bill, small businesses must deduct the value of a coupon or rebate from the price of the product before computing the sales tax liability. Thus, the bill creates an additional administrative requirement that could prove onerous for some small businesses.

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**Information Source(s):** Office of the Comptroller (Compliance Division), Department of Fiscal Services

**Fiscal Note History:** First Reader - February 17, 1997

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