

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1225 (Delegate Conaway)
Economic Matters

Business Regulation – Cash Transactions During National Coin Shortage

This bill requires a business that must file a sales and use tax return to account for and pay to the Comptroller with each return the money not returned to customers during the national coin shortage. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: General fund revenues may increase by a minimal amount in FY 2022. General fund expenditures increase by \$81,300 in FY 2021.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill's requirements do not apply if the business (1) allows the customer to round up their purchase to the nearest dollar and (2) the business applies the difference to a store gift card or rewards card or the customer donates the difference to a charitable organization in accordance with store policy. The Comptroller must distribute the money collected to the State general fund. National coin shortage is defined as low-coin inventories due to the rapid deceleration of coin circulation in the supply chain caused by the COVID-19 pandemic.

Current Law: The Federal Reserve indicates that overall there is currently an adequate amount of coins in the economy. However, business and bank closures related to the COVID-19 pandemic significantly disrupted the supply chain and normal circulation

patterns for U.S. coins. As a result, the slowed pace of circulation reduced available inventories in some areas of the country during 2020.

In June 2020, the Federal Reserve imposed a temporary cap on orders that depository institutions could place for coins in order to insure that the supply of coins was fairly distributed. According to the Federal Reserve, coin circulation patterns have not quite returned to pre-pandemic levels. The Federal Reserve also reports that the U.S. Mint has been operating at full production capacity since June 2020 and produced 14.8 billion coins in 2020, which was a 24% increase over the amount of coins produced in 2019.

The U.S. Coin Task Force was formed in July 2020 to identify, implement, and promote actions to address disruptions to coin circulation. The Federal Reserve indicates that as the economy recovers and businesses reopen, more coins will flow back into retail and banking channels and eventually into the Federal Reserve, which should allow for the further rebuilding of coin inventories.

State Revenues: General fund revenues may increase in fiscal 2022 depending on the amount of money that is not returned to customers during the national coin shortage, which cannot be reliably estimated. However, the Comptroller's Office estimates that any additional revenue is likely to be minimal.

State Expenditures: The Comptroller's Office will incur a one-time expenditure increase of \$81,300 in fiscal 2021 to notify the approximately 130,000 sales and use tax account holders of the new filing requirement.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Comptroller's Office; the U.S. Federal Reserve; Department of Legislative Services

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