Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 190 (Senator Amoss, et al.)
Budget and Taxation | Referred to Ways and Means

Sales and Use Tax - Property Used in a Production Activity

This amended bill defines tangible personal property used in a manufacturing process, and provides for a credit against the sales and use tax of 50% of the tax due on such property. Tangible personal property used in a manufacturing process includes, among other items: noncapitalized machinery or equipment which would be exempt if it were capitalized; certain property not consumed within one year after it is first used in a manufacturing process; and equipment that is used to move a finished product. The Comptroller shall provide for refunds of the credit if sales and use tax remittances of a manufacturer are not sufficient to use the full amount of the credit within one year. The credit expires June 30, 1999, at which time tangible personal property used in a manufacturing process is exempt from the sales tax.

The bill is effective July 1, 1997.

Fiscal Summary

State Effect: General fund revenues could decline by an estimated $25.0 million in FY 1998. Out-year estimates reflect the full exemption of personal property used in a manufacturing process and 5% growth.

($ in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	($25.0)	($26.3)	($55.1)	($57.9)	($60.8)
GF Expenditures	0	0	0	0	0
Net Effect	($25.0)	($26.3)	($55.1)	($57.9)	($60.8)

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

Local Effect: None.

Fiscal Analysis

State Revenues: Manufacturing industries paid approximately $43.2 million in sales and use taxes in fiscal 1995 on machinery and equipment which would be eligible for the tax credit under this bill. Assuming growth of 5% per year, about $50.0 million of taxes would be paid in fiscal 1998, so a 50% credit would result in the loss of about $25.0 million. In fiscal 2000, when this property is exempt from the sales and use tax, the revenue loss would be an estimated $55.1 million.

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

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