HB 983

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 983 (Delegate Bonsack, et al.)
Ways and Means

Sales and Use Tax - Machinery or Equipment Used in Production Activity - Capitalization Requirement

This bill alters the sales and use tax exemption for machinery and equipment used in a production activity. The bill removes the requirement that machinery or equipment be capitalized in order to qualify for the exemption.

The bill is effective July 1, 1996.

Fiscal Summary

State Effect: Revenues would decrease by $37.9 million in FY 1997. Future year revenue losses reflect 5% growth. Expenditures would not be affected.

(in thousands)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	($37,861)	($39,754)	($41,742)	($43,829)	($46,021)
GF Expenditures	0	0	0	0	0
Net Effect	($37,861)	($39,754)	($41,742)	($43,829)	($46,021)

Note: ( ) - decrease; GF - general funds

Local Effect: None.

Fiscal Analysis

State Revenues: Manufacturing industries paid approximately $45.8 million in sales and use taxes on machinery and equipment in fiscal 1995. Of the taxed machinery and equipment, approximately 75% would become exempt under this bill. If sales in these areas grow by 5% annually, the general fund revenue loss would be approximately $37.9 million in fiscal 1997.

Information Source(s): Office of the Comptroller (Compliance Division)

Fiscal Note History: First Reader - February 22, 1996
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Analysis by:	Lisa Kleinschmidt	Direct Inquiries to:
Reviewed by:	John Rixey	John Rixey, Coordinating Analyst
		(410) 841-3710
		(301) 858-3710