

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 425 (Senator Kasemeyer, et al.)
Budget and Taxation

Sales and Use Tax - Purchases for Resale - Cash Sales Under \$200

This bill allows the use of a resale certificate for cash, check, or credit card purchases, regardless of the dollar amount involved. Current law requires the sales tax to be paid on purchases for resale if the purchase totals \$200 or less, although refunds can be claimed.

This bill is effective July 1, 1996.

Fiscal Summary

State Effect: General fund revenue decrease of \$656,000 in FY 1997. Future year estimates reflect a 3.6% growth rate. Expenditures are not affected.

| (in thousands) | FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 |
|-----------------|---------|---------|---------|---------|---------|
| GF Revenues | (\$656) | (\$680) | (\$704) | (\$730) | (\$756) |
| GF Expenditures | 0 | 0 | 0 | 0 | 0 |
| Net Effect | (\$656) | (\$680) | (\$704) | (\$730) | (\$756) |

Note: () - decrease; GF - general funds

Local Effect: None.

Fiscal Analysis

Background: Chapter 1 of the Acts of the 1992 First Special Session prohibited the use of resale certificates for cash, check, or credit card sales of less than \$500. Chapter 6 of the Acts of 1993 reduced the limit to \$200. A buyer who pays sales tax under these circumstances may file a claim for a refund from the Comptroller. This bill allows all purchasers of goods for resale to use resale certificates, and thereby not have to pay the sales tax at the time of purchase.

State Revenues: In the past, many purchases under \$200 for which resale certificates have been used were actually taxable sales. Because the sales tax cannot be as easily evaded if a refund must be applied for, the disallowance of resale certificates for purchases under \$200 results in a revenue increase. Accordingly, elimination of this provision will cause a revenue decrease.

The Comptroller's Office estimates that the \$500 limit from 1992 resulted in a revenue gain of \$2.3 million in fiscal 1993. The reduction to \$200 cost the State \$1.7 million. The revenue gain from the remaining \$200 limit therefore totaled \$570,000. This amount is assumed to grow 3.6% per year, bringing it to \$656,000 in fiscal 1997.

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

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