

Department of Fiscal Services  
 Maryland General Assembly

FISCAL NOTE

Senate Bill 39 (Senator Craig)  
 Budget and Taxation

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Sales and Use Tax - Snack Food

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This bill exempts the following snack foods from the sales and use tax: potato chips and sticks, cornchips, pretzels, cheese puffs and curls, pork rinds, extruded pretzels and chips, popped popcorn, nuts, edible seeds, and snack mixes. The exemption applies to snack foods sold from grocery stores and vending machines.

This bill is effective July 1, 1996.

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Fiscal Summary

**State Effect:** Decrease in general fund revenues of \$13.5 million in FY 1997. Out-year estimates reflect a 5% growth rate. Expenditures are not affected.

(in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	(\$13.5)	(\$14.2)	(\$14.9)	(\$15.7)	(\$16.5)
GF Expenditures	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Effect	(\$13.5)	(\$14.2)	(\$14.9)	(\$15.7)	(\$16.5)

Note: ( ) - decrease; GF - general funds

**Local Effect:** None.

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Fiscal Analysis

**State Revenues:** Approximately \$12.9 billion of packaged snack foods were sold in the United States in fiscal 1994, 94% of which were sold from grocery type stores and vending machines. Maryland's share is estimated to be the same proportion as Maryland's population is to the country, 1.92%. Accordingly, it is estimated that Maryland sales totaled \$233.2 in fiscal 1994, yielding \$11.7 million in sales tax revenue. Growth is assumed to be 5% per year. Fiscal 1997 revenues thus are estimated to decrease by approximately \$13.5 million.

The revenue loss may be partially offset in the future if the repeal of this tax results in expansion of the snack food industry in Maryland.

This estimate does not account for tax revenues from snack foods that are sold in bulk, or nuts that are sold for baking or other non-snack purposes. Data currently is not available on the amount of these foods sold in Maryland.

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

**Fiscal Note History:** First Reader - January 31, 1996

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