SB 189

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 189 (Senator Amoss, et al.)
Budget and Taxation Referred to Ways and Means

Sales and Use Tax - Machinery or Equipment Used Predominately in a Production Activity

This enrolled bill alters the sales and use tax exemption for machinery and equipment used in a production activity. The bill removes the provision which limits the exemption to machinery or equipment not used in administration, management, sales, or any other nonoperative activity. Instead, the bill requires that exempted equipment or machinery be used "predominantly" in a production activity.

The bill is effective January 1, 1997.

Fiscal Summary

State Effect: Revenues could decrease by $682,000 in FY 1997. Future year revenue losses are annualized and reflect 5% growth. Expenditures would not be affected.

(in thousands)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	($682)	($1,431)	($1,503)	($1,578)	($1,657)
GF Expenditures	0	0	0	0	0
Net Effect	($682)	($1,431)	($1,503)	($1,578)	($1,657)

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 2.7% would become exempt under this bill. If sales in these areas grow by 5% annually, the revenue loss would be approximately $682,000 in fiscal 1997, reflecting the January 1, 1997 effective date.

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

Fiscal Note History: First Reader - January 31, 1996
ncs Revised - Senate Third Reader - March 26, 1996
lc Revised - Enrolled Bill - April 30, 1996

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