HB 462

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 462 (Delegate Healey, *et al.*)
Ways and Means

Sales and Use Tax - Food Sold Through Vending Machines

This bill exempts all foods sold through a vending machine from the sales and use tax.

The bill is effective July 1, 1997.

Fiscal Summary

State Effect: General fund revenues could decrease by $6.7 million in FY 1998. Out-year estimates reflect 2% growth rate. Expenditures would not be affected.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	($6.7)	($6.8)	($6.9)	($7.1)	($7.2)
GF	0	0	0	0	0
Net Effect	($6.7)	($6.8)	($6.9)	($7.1)	($7.2)

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

Local Effect: None.

Small Business Effect: Meaningful impact to small businesses as discussed below.

Fiscal Analysis

State Revenues: Currently, snack foods such as potato chips, snack nuts, and tortilla chips sold from vending machines are exempt from the sales tax. This bill would exempt non-snack foods sold from vending machines from the sales tax. Examples classified as vended non-snack foods include coffee, ice cream, and related refrigerated beverages and foods. Approximately $6.4 billion of vended non-snack foods were sold in the United States in calendar 1992. Maryland's share is estimated to be the same proportion as Maryland's population to the country, 2%. Accordingly, it is estimated that Maryland sales totaled

$124.5 million in calendar 1992, yielding $5.9 million in sales tax revenue. Growth is assumed to be 2% per year. Fiscal 1998 revenues thus are estimated to decrease by approximately $6.7 million.

Small Business Effect: The sales tax exemption of non-snack foods sold from vending machines could impact small businesses in three ways: (1) increased sales; (2) reduced administrative requirements; and (3) loss of vendor credit revenue. Exempting the foods from the sales tax would decrease the price by 5% which could result in greater sales of the products for small businesses in the vending machine industry. Also, the affected small businesses could realize reduced administrative costs because they would no longer have to collect and remit the sales tax to the Comptroller's Office. Thirdly, the small businesses would lose the vendor credit given to vendors who remit their sales taxes to the Comptroller's Office on a timely basis. Total vendor credits are estimated to be approximately $50,100 in fiscal 1998.

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

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