

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 446 (Delegate Healev. *et al.*)

Ways and Means

Sales and Use Tax Exemption - Certain Wholesome Foods

This bill exempts from the sales and use tax vending machine sales of milk, bottled water, fresh fruit and vegetables, and yogurt.

This bill is effective July 1, 1998.

Fiscal Summary

State Effect: General fund revenues could decline by an estimated \$321,700 in FY 1999, increasing by 3% annually. Expenditures would not be affected.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	(\$321,700)	(\$331,400)	(\$341,300)	(\$351,600)	(\$362,100)
GF Expenditures	0	0	0	0	0
Net Effect	(\$321,700)	(\$331,400)	(\$341,300)	(\$351,600)	(\$362,100)

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

Local Effect: None.

Small Business Effect: Minimal, except for those small businesses engaged solely in vending machine sales of wholesome foods.

Fiscal Analysis

State Revenues: The Maryland/D.C. Vending Association reports that taxable vending machine sales will total \$153.7 million in 1998, and that approximately 4.33% of sales are of items which would be exempt under this bill. The taxable value of the \$6.7 million of sales of these foods will be \$6.3 million due to the backout for vending machine sales. Assuming

growth of 3% annually, general fund revenues will decline by an estimated \$321,700 in fiscal 1999.

The Department of Legislative Services advises that national industry data indicate that sales of wholesome food represent about 6.64% of total vending machine sales. At this level, general fund revenues would decline about \$493,300 in fiscal 1999.

Small Business Effect: Small businesses whose business is comprised solely of vending machine sales of certain wholesome foods will realize a substantial increase in profit margins under this bill. If margins in the vending machine business are currently 10%, profits would increase by nearly 50%. The number of such small businesses, if any, and the portion of the wholesome food vending sales which they represent is not known.

Information Source(s): Office of the Comptroller (Bureau of Revenue Estimates), Maryland/D.C. Vending Association, Department of Legislative Services

Fiscal Note History: First Reader - February 16, 1998

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