

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 1142 (Delegate Clagett, *et al.*)

Ways and Means

Sales and Use Tax - Exemption for Bottled Water

This bill exempts bottled water from the sales and use tax.

This bill takes effect July 1, 1999.

Fiscal Summary

State Effect: General fund revenues could decrease by \$5.0 million in FY 2000. Future year revenue losses account for growth in prices and sales. No effect on expenditures.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	(\$5.0)	(\$5.7)	(\$6.4)	(\$7.2)	(\$8.1)
GF Expenditures	0	0	0	0	0
Net Effect	(\$5.0)	(\$5.7)	(\$6.4)	(\$7.2)	(\$8.1)

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

Local Effect: None.

Small Business Effect: Minimal.

Fiscal Analysis

State Revenues: According to the 1998 publication of Beverage Marketing Corporation, *Bottled Water in the U.S.*, 88 million gallons of bottled water were sold in Maryland and the District of Columbia (D.C.) in 1997. According to industry sources, the average price of bottled water is around \$1.00 per gallon. Based on the above information, it is estimated that the reduction in sales tax revenue as a result of exempting bottled water from the sales tax is

about \$5.0 million in fiscal 2000. The estimate allocates the sale of bottled water between Maryland and D.C. on the basis of population (Maryland thus accounts for 91% of the sales) and assumes annual growth in sales of 9.2%, which is the average growth rate for the period 1987-1997. Out-year estimates assume 3% growth in the price of bottled water.

Information Source(s): Beverage Marketing Corporation, *Bottled Water in the U.S.*; Comptroller of the Treasury (Bureau of Revenue Estimates); Department of Legislative Services

Fiscal Note History: First Reader - March 17, 1999

dmm/jr

Analysis by: Lina Walker

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510