

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

Senate Bill 204 (Senator McFadden)

Budget and Taxation

Sales and Use Tax - Bulk Vending Machines

This bill exempts merchandise sold through a “bulk vending machine” from the sales tax if the merchandise costs 25 cents or less. A bulk vending machine is a vending machine that: (1) contains unsorted merchandise; and (2) dispenses the merchandise in approximately equal amounts at random without selection by the customer.

The bill takes effect July 1, 1999.

Fiscal Summary

State Effect: General fund revenues are estimated to decrease by \$215,200 in FY 2000. Future year revenue losses increase by 7% annually. No effect on expenditures.

| (in dollars) | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| GF Revenues | (\$215,200) | (\$230,300) | (\$246,400) | (\$263,700) | (\$282,100) |
| GF Expenditures | 0 | 0 | 0 | 0 | 0 |
| Net Effect | (\$215,200) | (\$230,300) | (\$246,400) | (\$263,700) | (\$282,100) |

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 *Vending Times*, national sales through bulk vending machines are estimated to reach \$410.1 million in fiscal 2000. Of this amount, approximately 58% of total sales are attributable to the sale of merchandise costing 25 cents. Under current law, the sales tax of 5% is applied to 95.25% of the value of vending sales. Assuming that Maryland's share of total national sales is 1.9%, the revenue loss from the sales tax exemption is estimated to be \$215,232 in fiscal 2000. Out-year estimates assume a 7% growth in bulk vending sales.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates), National Automatic Merchandising Association, Department of Legislative Services

Fiscal Note History: First Reader - February 3, 1999
ncs/jr

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