

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 7 (Senator Lawlah)

Budget and Taxation

Sales and Use Tax Exemption - Certain Wholesome Foods

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

This bill is effective July 1, 1999.

Fiscal Summary

State Effect: General fund revenues could decline by an estimated \$140,400 in FY 2000, increasing by 3% annually. Expenditures would not be affected.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	(\$140,400)	(\$144,600)	(\$149,000)	(\$153,400)	(\$158,000)
GF Expenditures	0	0	0	0	0
Net Effect	(\$140,400)	(\$144,600)	(\$149,000)	(\$153,400)	(\$158,000)

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

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 1.83% of sales are of items that would be exempt under this bill. The taxable value of the \$2.8 million of sales of these foods will be \$2.7 million due to the backout for vending machine sales. Assuming

growth of 3% annually, general fund revenues will decline by an estimated \$140,415 in fiscal 2000.

Small Business Effect: Small businesses whose business is comprised solely of vending machine sales of certain wholesome foods could realize a substantial increase in profit margins under this bill if they do not pass on the savings to consumers. 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 - January 22, 1999
lnc/jr	Revised - Senate Third Reader - March 22, 1999

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