HB 908

Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 908 (Delegate Klausmeier, *et al.*)
Ways and Means

Sales and Use Tax - Property Used in a Production Activity

This bill accelerates the phase-in of the sales tax exemption that applies to tangible personal property used in a manufacturing process. Under current law, an entity may claim a credit equal to two-thirds of the sales tax paid for the purchase of qualified personal property in fiscal 2000. Beginning in fiscal 2001, the purchase of qualified property is exempt from the sales and use tax. The bill eliminates the current credit and allows the full exemption from the sales tax a year earlier, beginning in fiscal 2000.

The bill takes effect July 1, 1999.

Fiscal Summary

State Effect: One-time decrease in general fund revenues of $5 million in FY 2000. No effect on expenditures.

Local Effect: None.

Small Business Effect: Minimal.

Fiscal Analysis

State Revenues: Based on the 1998 Board of Revenue Estimates' forecast of Maryland revenues, the current credit of two-thirds of the sales and use tax on the purchase of tangible personal property used in a manufacturing process is estimated to cost the State $10 million. Eliminating the credit and exempting the purchase completely from the sales tax in fiscal 2000 increases total State loss to $15 million; thus, the bill is estimated to increase State costs by $5 million in fiscal 2000. Out-year revenue losses remain unchanged at $15 million annually.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - March 9, 1999
dmm/jr

Analysis by: Lina Walker

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