

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE
 Revised

House Bill 839 (Delegate Owings)

Ways and Means

Sales and Use Tax - Magazine Subscriptions

This bill exempts magazine subscriptions from the sales and use tax.

The bill takes effect January 1, 2001.

Fiscal Summary

State Effect: General fund revenues would decrease by \$1.5 million in FY 2001 based on the January 1, 2001, effective date, with the revenue loss increasing to \$3.1 million in FY 2002, and increasing 5% per year thereafter.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	(\$1.5)	(\$3.1)	(\$3.3)	(\$3.4)	(\$3.6)
GF Expenditures	0.0	0.0	0.0	0.0	0.0
Net Effect	(\$1.5)	(\$3.1)	(\$3.3)	(\$3.4)	(\$3.6)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Magazine subscriptions are currently subject to the 5% sales and use tax.

State Revenues: According to *Magazine Handbook* of the Magazine Publishers of America, there were \$6.8 billion in paid subscription revenues in the U.S. in 1998. Assuming that Maryland has the same proportion of magazine subscription sales as its proportion of the U.S. population (1.9%), then \$129.7 million in subscriptions were sold in Maryland in 1998. Applying the 5% sales tax rate and assuming a 5% per year growth rate, the revenue loss in fiscal 2001 would be approximately \$7.5 million.

Most of the tax applicable to magazine subscriptions, however, cannot be collected because the publisher lacks nexus with Maryland. Assuming approximately 40% of potential tax revenue is actually collected -- either through nexus with the publisher or through use tax collections from corporate customers -- then annual revenue losses under the bill would be approximately \$3 million per year, growing at an estimated 5% per year.

Additional Information

Prior Introductions: SB 802 of 1997 received an unfavorable report from the Senate Budget and Taxation Committee.

Cross File: None.

Information Source(s): Comptroller's Office (Bureau of Revenue Estimates), Magazine Publishers of America, Department of Legislative Services

Fiscal Note History: First Reader - March 10, 2000
nncsjr Revised - Updated Information - March 13, 2000

Analysis by: Matthew D. Riven

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