SB 512

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

Senate Bill 512 (Senator McCabe, *et al.*)
Budget and Taxation Ways and Means

Sales and Use Tax - Exemptions - Motor Oil for Farm Use

This bill exempts from the sales and use tax the sale of motor oil for use in farm equipment or a farm tractor, if bought by a farmer.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: General fund revenues could decrease by approximately $150,100 in FY 2002. Future year losses assume increases in costs of motor oil but decreases in the number of farms.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	($150,100)	($154,000)	($157,500)	($161,200)	($165,300)
Expenditure	$0	$0	$0	$0	$0
Net Effect	($150,100)	($154,000)	($157,500)	($161,200)	($165,300)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Sales to a farmer of replacement parts and hydraulic oil for qualifying equipment are exempt from the sales tax. Motor oil, however, is subject to the sales tax because it is used generally and not just for farm use.

State Revenues: Based on data from the Farm Production Expenditures Survey produced by the U.S. Department of Agriculture and the Maryland Department of Agriculture, it is estimated that in 1999, an average of $2,232 was spent per farm in the Northeast region on motor fuels and oil. Assuming that 10% of this expenditure represents the purchase of oil and that the cost increases by 5% per year, then $234 would have been spent on oil products in 2000. It is assumed that the number of farms will decline about 2.5% per year. The estimated revenue decrease is illustrated in **Exhibit 1**.

Exhibit 1
HB 350 - Estimated Revenue Decrease

Calendar Year	Number of MD Farms	Avg. Annual Costs for Oil	Total Costs Exempted	Revenue Loss at 5%
2002	11,788	$258	$3,044,400	$152,200
2003	11,493	271	3,116,500	155,800
2004	11,206	284	3,182,500	159,100
2005	10,926	299	3,266,900	163,300
2006	10,652	314	3,344,700	167,200

Fiscal year impact (assumes expenditures would be evenly distributed throughout the year.)

FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
$150,100	$154,000	$157,500	$161,200	$165,300

To the extent that the above farm expenditures include sales taxes, the final revenue loss would be reduced by 5%.

Additional Information

Prior Introductions: None.

Cross File: HB 350 (Delegate Shank, *et al.*) – Ways and Means.

Information Source(s): Comptroller's Office, Maryland Department of Agriculture, U.S. Department of Agriculture, Department of Legislative Services

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