

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 553
 Ways and Means

(Delegate Edwards)

Budget and Taxation

Sales and Use Tax - Exemption - Utilities Used to Produce Snow for Commercial Purposes

This bill exempts from the sales and use tax the sale of electricity, fuel, and other utilities used to operate the machinery or equipment used to produce snow for commercial purposes.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: Sales tax revenue would decline by approximately \$8,200 in FY 2003, based on tax payment estimates from the affected taxpayer. Future year revenue losses are based on 5% growth.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	(\$8,200)	(\$8,600)	(\$9,000)	(\$9,500)	(\$10,000)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$8,200)	(\$8,600)	(\$9,000)	(\$9,500)	(\$10,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Businesses are subject to the sales and use tax for utility consumption, unless specifically exempted, such as under the production activity exemption.

State Revenues: The Comptroller's Office advises that it is aware of only one taxpayer to which this exemption may apply. The eligible company estimates that it paid approximately \$7,800 in sales tax on electricity usage for snow-making. The Comptroller's Office cannot independently verify this figure because it does not directly collect the tax (they are remitted by the utility companies) and because the amount of utility sales tax attributable to snow-making (as opposed to other energy consumption) may be difficult to ascertain.

Future year revenue losses are estimated at 5%. To the extent that the taxpayer expands its snow-making, the revenue losses could be larger than projected.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office (Compliance Division), Public Service Commission, Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2002
ncs/jr

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