

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

Senate Bill 43

(Senator Haines)

Budget and Taxation

Ways and Means

Sales and Use Tax - Multifuel Pellet Stoves

This bill exempts from the sales and use tax the sale of a multifuel pellet stove designed to burn agricultural field corn.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: General fund revenues would decline by \$25,000 as a result of the sales tax exemption. Future revenue declines would increase by 2% per year.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	(\$25,000)	(\$25,500)	(\$26,000)	(\$26,500)	(\$27,100)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$25,000)	(\$25,500)	(\$26,000)	(\$26,500)	(\$27,100)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Pellet stoves are currently subject to the State's 5% sales and use tax.

Background: Pellet stoves typically burn wood pellets, but new pellet stoves can burn any material that meets industry standards. The Pellet Fuels Institute indicates that about one-third of new pellet stoves can burn corn.

Three states (Idaho, Montana, and Utah) provide income tax incentives for purchases of pellet stoves. No other state provides a sales tax exemption for such purchases.

State Revenues: For the purposes of this analysis, it is assumed that a pellet stove that is capable of burning agricultural field corn was “designed” to burn agricultural field corn. Pellet stoves range in price from around \$1,500 to \$2,300, with an estimated average of \$2,000. Sales of such stoves therefore generate approximately \$100 per sale in tax revenue.

The Hearth, Patio & Barbecue Association advises that 37,000 pellet stoves were sold in the U.S. in 2000, of which 2,300 were sold in the 12-state area from Maryland to Alabama. It is estimated that Maryland’s share of sales is 750 stoves, of which 250 could burn corn and hence would be exempt from the sales tax. The loss in State revenue would therefore be \$25,000 per year. Future year sales, and corresponding revenue losses, are assumed to grow at 2% per year.

Small Business Effect: There are approximately 4,000 farmers in Maryland raising corn, almost all of whom would qualify as small businesses. As noted above, it is assumed that approximately 250 people (or 5% of the total number of farmers) would purchase such a stove in any given year, resulting in tax savings of \$100 per person.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller’s Office, Department of Agriculture, Department of Legislative Services

Fiscal Note History: First Reader - January 21, 2002
lc/jr

Analysis by: Matthew D. Riven

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