

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 864 (Delegate Giannetti)
 Ways and Means

Sales and Use Tax - Exemption - Isolated Sale of All Business Assets

This bill provides that the sales and use tax does not apply to the isolated sale of all or substantially all the assets of any business.

Fiscal Summary

State Effect: State general fund revenues could decline by \$3.2 million annually. Expenditures would not be affected.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	(\$3.2)	(\$3.2)	(\$3.2)	(\$3.2)	(\$3.2)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$3.2)	(\$3.2)	(\$3.2)	(\$3.2)	(\$3.2)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The isolated sale of all or substantially all the assets of any business is subject to the 5% sales and use tax. To the extent that these assets include inventory that will be resold by the purchaser of the assets (and assuming the purchaser has a sales tax certificate), the purchase of the inventory for resale is not subject to the sales tax.

State Revenues: The Comptroller's Office advises that sales tax collections from these isolated sales (which require a special return to be filed with the Comptroller) vary from year to year in the range of \$2 million to \$5 million. Based on an average of the past four years of collections, State general fund revenues would decline by approximately \$3.2 million annually. Given the variability of these collections, no future growth rate is projected.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 7, 2002
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