

**Department of Legislative Services**  
 Maryland General Assembly  
 2006 Session

**FISCAL AND POLICY NOTE**

Senate Bill 920 (Senator Stone)

Budget and Taxation

Ways and Means

**Sales and Use Tax - Bulk Vending Machines**

This bill increases the minimum taxable price of tangible personal property sold through a vending machine from \$0.25 to \$0.75.

The bill takes effect July 1, 2006.

**Fiscal Summary**

**State Effect:** General fund revenues could decrease by \$42,800 in FY 2007. Future years reflect constant sales. No effect on expenditures.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
GF Revenue	(\$42,800)	(\$42,800)	(\$42,800)	(\$42,800)	(\$42,800)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$42,800)	(\$42,800)	(\$42,800)	(\$42,800)	(\$42,800)

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

**Local Effect:** None.

**Small Business Effect:** Meaningful. Bulk vending machine operators would realize increased profits in the same amount as the general fund revenue decrease.

**Analysis**

**Current Law:** The State sales and use tax does not apply to a sale of tangible personal property through a bulk vending machine for a taxable price of 25 cents or less.

A bulk vending machine is a vending machine that: (1) contains unsorted merchandise; and (2) on insertion of a coin, dispenses the unsorted merchandise in approximately equal portions at random and without selection by the customer.

**State Fiscal Effect:** Information provided by the bulk vending machine industry indicates that there are three bulk vending machine companies in Maryland that account for approximately 99% of bulk vending machine sales and that these sales occur predominately at the \$0.50 and \$0.75 price levels. The bill exempt sales of \$0.75 or less and would therefore exempt most if not all of these companies' sales from the State sales and use tax.

**Exhibit 1** shows the average monthly and annual amounts of sales taxes paid by these vendors, as reported by the industry. As a result, general fund revenues would decrease by approximately \$42,800 annually, beginning in fiscal 2007. It is assumed that future year sales will remain constant.

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**Exhibit 1**  
**Average Sales Taxes Paid by Bulk Vending Machine Operators**

<u>Vendor</u>	<u>Average Monthly Tax Paid</u>	<u>Annual Tax Paid</u>
Vendomatic	\$2,500	\$30,000
CoinStar	767	9,204
Cardinal Distributing	300	3,600
<b>Total Tax Paid</b>		<b>\$42,804</b>

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To the extent that there are other vendors operating in the State that cannot be readily identified, or if sales of over \$0.75 make up a greater market share or total sales, general fund revenues would decrease accordingly.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 951 (Delegate Hogan, *et al.*) – Ways and Means.

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

**Fiscal Note History:** First Reader - March 14, 2006  
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