

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 951
 Ways and Means

(Delegate Hogan, *et al.*)

Budget and Taxation

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.

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
Total Tax Paid		\$42,804

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.

Additional Information

Prior Introductions: None.

Cross File: SB 920 (Senator Stone) – Budget and Taxation.

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

Fiscal Note History: First Reader - March 13, 2006
ncs/hlb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510