

Department of Legislative Services
 Maryland General Assembly
 2011 Session

FISCAL AND POLICY NOTE

House Bill 206 (Delegate Stein, *et al.*)
 Ways and Means

Sales and Use Tax Exemption for Precious Metal Bullion and Coins - Repeal

This bill repeals the State sales and use tax exemption for the sale of precious metal bullion or coins with a sale price of greater than \$1,000.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: General fund revenues increase by \$1.2 million in FY 2012 and by \$841,500 in FY 2016. Transportation Trust Fund (TTF) revenues increase by \$66,250 in FY 2012 and by \$58,500 in FY 2016. State expenditures are not affected.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Revenue	\$1,183,750	\$1,183,750	\$1,168,750	\$841,500	\$841,500
SF Revenue	\$66,250	\$66,250	\$81,250	\$58,500	\$58,500
Expenditure	0	0	0	0	0
Net Effect	\$1,250,000	\$1,250,000	\$1,250,000	\$900,000	\$900,000

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

Local Effect: None.

Small Business Effect: Potential meaningful. Vendors that deal in the sale of precious metal bullion or coins may realize fewer transactions as a result of the change. These vendors may also incur some expenditure increases from having to collect and remit the sales tax on these transactions.

Analysis

Current Law: The sale of precious metal bullion or coins, if the sale price is greater than \$1,000, is exempt from the State sales and use tax.

Background: The State sales and use tax rate is 6%. The sales and use tax is the State's second largest source of general fund revenue, accounting for \$3.7 billion in fiscal 2011 and \$3.8 billion in fiscal 2012, according to the December 2010 revenue forecast. In addition, TTF is projected to receive \$228.7 million and \$237.6 million in sales and use tax revenues in fiscal 2011 and 2012, respectively. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

Exhibit 1 Sales and Use Tax Rates in Maryland and Surrounding States

Delaware	0%
District of Columbia	6%
Maryland	6%
Pennsylvania	6% plus 1% or 2% in certain local jurisdiction
Virginia	5%; 2.5% for food, both rates include 1% for local jurisdictions
West Virginia	6%; 3% for food

State Fiscal Effect: Total sales and use tax revenues will increase by \$1.25 million in fiscal 2012 through 2014 and by \$900,000 in fiscal 2015 and 2016. Chapter 10 of 2008 altered the distribution of sales and use tax revenues by requiring that, for fiscal 2009 through 2013, 5.3% of revenues be distributed to TTF. Beginning in fiscal 2014, the percentage of revenues distributed to TTF increases to 6.5%. Accordingly, repealing the exemption will increase general fund revenues by approximately \$1.2 million and TTF revenues by \$66,250 in fiscal 2012.

The estimate is based on data from the *Maryland Tax Expenditures Report* for fiscal 2010, which estimates that the current exemption reduced revenues by approximately \$900,000 annually for fiscal 2008 through 2010. It is estimated that recent increases in the price of gold will increase the current exemption amount to \$1.25 million for fiscal 2012 through 2014, declining to \$900,000 beginning in fiscal 2015.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 21, 2011
mm/jrb

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