

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6546
BILL NUMBER: SB 314

DATE PREPARED: Dec 20, 1999
BILL AMENDED:

SUBJECT: Sales Tax exemption for vending machine food.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 2000	FY 2001	FY 2002
State Revenues		(2,400,000)	(5,000,000)
State Expenditures			
Net Increase (Decrease)		(2,400,000)	(5,000,000)

Summary of Legislation: This bill exempts food sold through a vending machine from the Gross Retail Sales and Use Tax.

Effective Date: January 1, 2001.

Explanation of State Expenditures:

Explanation of State Revenues: This proposal will reduce the amount of tax revenue received from sales through vending machines. It is estimated that the amount of sales tax revenue generated from the sale of food through vending machines will be \$4,805,142 for FY 2001. This proposal would become effective January 1, 2001, so the revenue loss for FY 2001 would be one-half (\$2.4 M) of the annual estimate.

There is a large discrepancy between the amount of vending machine sales reported by Department of State Revenue Sales Tax collection statistics and Indiana's share of national sales figures according to the industry. It is believed that the primary reason for this is that many vending machine sales are reported by vending companies that are classified under a different Standard Industrial Code than 5962, merchandising machine operators.

For this reason, this analysis relies on two approaches to estimate the impact and uses the midpoint of the two as the actual estimate. Relying solely on Department of State Revenue data results in an estimate of sales tax revenue generated by food sales through vending machines of \$1,445,535 for FY 98. Using industry data, the estimate for the same year is \$6,856,191. The mid-point of these two figures results in an estimated amount for FY 98 of \$4,150,863. Assuming an annual growth rate of 5% results in an estimated loss of revenue of \$4,805,142 for the full year of FY 2001. Since the effective date would be January 1, 2001, the actual estimates are:

FY 2001: \$2,402,571 (½ year)
 FY 2002: \$5,045,400.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Industrial Rail Service Loan Fund (0.04%), and the Commuter Rail Service Fund (0.17%).

The annual reductions to these funds for FY 2002 (the first full year of impact) are estimated to be:

State General Fund:	\$2,978,300
Property Tax Replacement Fund:	\$2,018,160
Public Mass Transportation Fund:	\$ 38,345
Industrial Rail Service Loan Fund:	\$ 2,018
Commuter Rail Service Fund:	<u>\$ 8,577</u>
Total	\$5,045,400

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue

Local Agencies Affected:

Information Sources: Department of State Revenue, Sales Tax Collection Data, CY 1997; Vending Times, Census of the Industry Issue, 1998.