

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 420 (First Edition)

SHORT TITLE: Bulk Vending Machine Exemption

SPONSOR(S): Rep. Morris

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
REVENUES					
General Fund	(\$131,018)	(\$179,581)	(\$184,610)	(\$189,779)	(\$195,092)
Local Govt.	<u>(\$65,509)</u>	<u>(\$89,791)</u>	<u>(\$92,305)</u>	<u>(\$94,889)</u>	<u>(\$97,546)</u>
Total	(\$196,527)	(\$269,372)	(\$276,915)	(\$284,668)	(\$292,638)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue					
EFFECTIVE DATE: The act becomes effective October 1, 1999, and applies to sales made on or after that date.					

BILL SUMMARY: The act exempts from sales tax coin-operated bulk vending machines that dispense unsorted confections, nuts, or merchandise valued at 50 cents or less per sale.

ASSUMPTIONS AND METHODOLOGY:

The National Bulk Vendors Association estimates that there are 40,000 to 50,000 non-charity bulk vending machines in North Carolina. For this fiscal note, the midpoint of this range (45,000) will be used as the number of machines to be exempted by HB 420. The National Bulk Vendors Association provided the national percentage mix of machines and the average annual revenue per machine. Based on this data, North Carolina annual revenue is calculated below.

<u>Type of Machine</u>	<u>Number of Machines in NC</u>	<u>Average Annual Revenue per Machine</u>	<u>Annual Revenue</u>	<u>50% Vending Discount GS 105-164.3(16)f</u>	<u>4% State Sales Tax</u>	<u>2% Local Sales Tax</u>
Capsule Venders	21,600	\$235	\$5,076,000	\$2,538,000	\$101,520	\$50,760
Nut/Pan Candy Venders	10,350	\$200	\$2,070,000	\$1,035,000	\$41,400	\$20,700
Ball Gum	12,150	\$100	\$1,215,000	\$607,500	\$24,300	\$12,150
Novelty Capsule Venders	<u>900</u>	<u>\$415</u>	<u>\$373,500</u>	<u>\$186,750</u>	<u>\$7,470</u>	<u>\$3,735</u>
	45,000		\$8,734,500	\$4,367,250	\$174,690	\$87,345

Since North Carolina General Statutes 105-164.3(16)f provides a 50% discount on vending machines sales, only half of the \$8.7 million in annual bulk vending sales in the state is taxable. As the chart shows, a full exemption of bulk vending sales would reduce state sales revenue by \$174, 690 and reduce local sales tax revenue by \$87,345. With an October 1, 1999 effective date, the Fiscal Year 1999-2000 impact will be three-quarters of that amount. Future year bulk vending sales are estimated to grow 2.8% based on industry sales data from 1995 to 1997.

FISCAL RESEARCH DIVISION 733-4910

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