



**Testimony on Behalf of the National Association of College Stores  
By Richard Hershman  
Before the  
Senate Budget and Taxation Committee**

**SB 904- Sales and Use Tax – Tax-Free Periods – University and College Textbooks**

**March 9, 2021**

Chairman Guzzone and members of the Senate Budget and Taxation Committee, on behalf of the National Association of College Stores (NACS), I thank you for the opportunity to provide written testimony today in strong support of SB 904 exempting print college textbook purchases from state sales taxes.

My name is Richard Hershman and I am the Vice President of Government Relations for NACS.

Headquartered in Oberlin, Ohio NACS is the professional trade association representing the collegiate and school bookstore community. Our members are college and university, K-12 school owned and independent non-profit stores in Maryland and across the country.

NACS strongly supports SB 904 which will provide all college students in Maryland an exemption from sales tax for academically required textbooks during peak purchasing periods. With many students struggling to pay their education costs, sales tax on required textbooks is an unnecessary added tax burden on students' learning. SB 904 will provide much needed relief to students and ensure limited financial aid grants are maximized to help students stay in college and succeed.

**Maryland is a National Leader on Textbook Affordability**

Maryland has been a leader on textbook affordability for more than a decade. Thanks to the leadership of Senator Rosapepe and Senator Pinsky, the state has one of the most comprehensive college textbook affordability laws in the nation. Last year, the legislature expanded the law through legislation sponsored by Senator Rosapepe to promote the greater use of free open-source textbooks and lower cost commercial course materials. The legislature has also provided funding to help lower the cost of course materials. The state leads the way except on one issue –it continues to tax students and financial aid when students acquire required print textbooks.

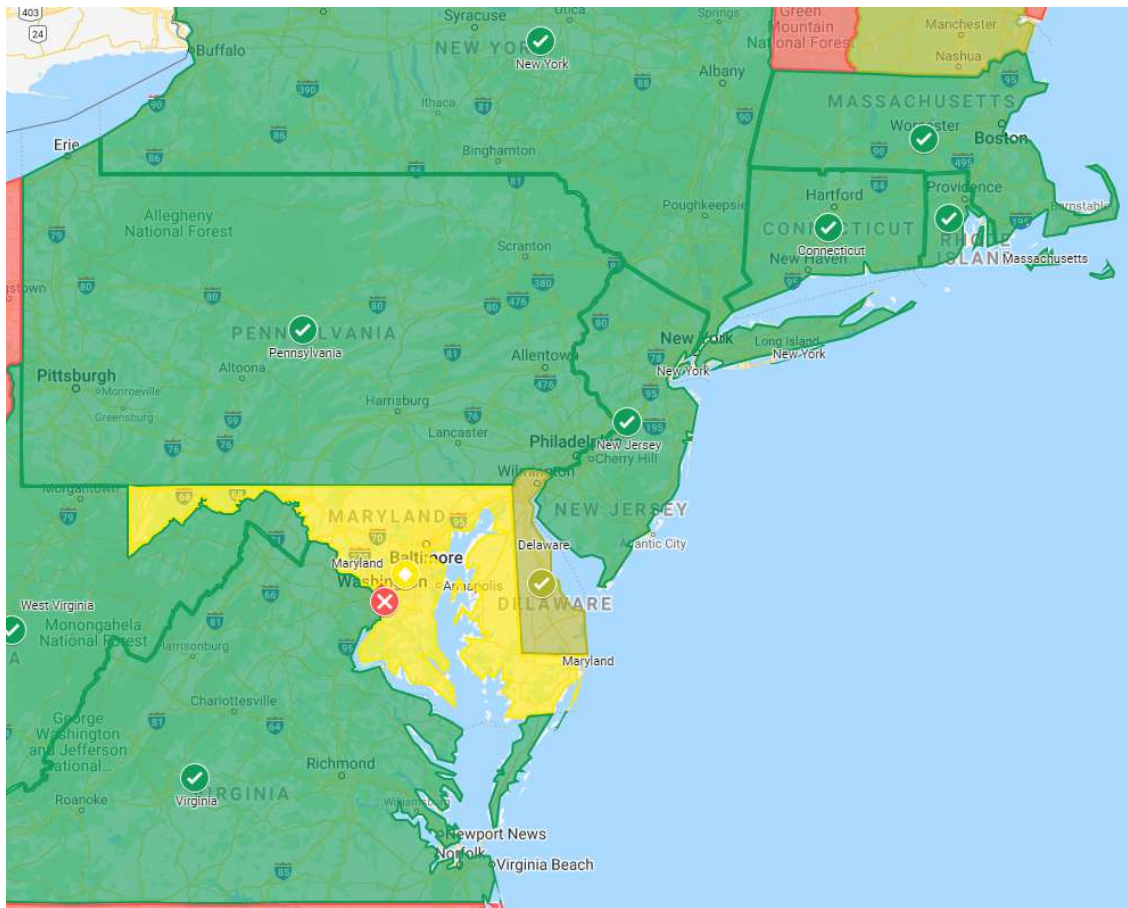
**College Textbook Sales Tax Exemptions**

Twenty-one states and Puerto Rico explicitly exempt college textbooks from sales taxes.<sup>1</sup> An additional 5 states have no sales taxes and 10 more states, including Maryland, that tax printed

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<sup>1</sup>College Textbook exemptions map. <https://bit.ly/36WbIFg>

textbooks exempt digital goods. This translates to 36 states and Puerto Rico with some form of sales tax exemption for course materials. While Maryland collects sales taxes on academically required print course materials, all neighboring states in the mid-Atlantic exempt them.



## Financial Aid Considerations

Required course materials, like tuition and fees, are considered core academic costs. Campus and other sources of financial aid such as Pell Grants, the GI bill's stipend for books and supplies, and the Veteran Readiness and Employment program help students acquire the learning materials they need to succeed. Inevitably, for states that tax required learning materials, states end up taxing these limited financial aid dollars, which diminish the buying power of these aid programs targeted to students with the greatest need.

## Confusing and Unfair System

Maryland students taking the same class and acquiring the same required course materials may or may not pay sales taxes depending on the formats available, student needs, preferences, product packaging, seller location, and distribution model. Research is clear that students want choices in formats to fit their learning needs, but the current Maryland sales tax rules hurt students who prefer print materials either as a primary or as a low-cost supplement to the digital

material. For example, nursing majors, who are in critical need due to the pandemic, have higher course material costs where many prefer to purchase print materials for reference in their studies and future careers. Some students who take classes using free digital open educational resources (OER), similarly prefer a low-cost print copy, while some students with disabilities may require or prefer having print versions.

### Fiscal Note Concerns

We have had significant concerns about the accuracy of the fiscal notes in similar proposals in previous legislative sessions and unfortunately these concerns continue for this year. It’s unconscionable that the Department of Legislative Services continues to provide incomplete information to the committees. These concerns include:

- Overstating student spending on course materials, which has declined by 41% over the last 10 years and specifically print textbooks and the percentage of transactions that would occur during the week holiday.
- Including digital course material and courseware in the estimate, which are already exempt from sales taxes in Maryland. There is no reason to score something as revenue when its not taxed under current law.
- Including student enrollment at UMGC, which several years ago eliminated nearly all commercial textbooks to purchase in favor of using open licensed digital materials and commercial digital materials imbedded into their tuition that are not subject to sales taxes.
- Not factoring in the growth of tuition and fee based bulk purchase discounted digital course material programs and the greater use of digital open educational resources at schools like University of Maryland Baltimore County, Salisbury University, and Montgomery College to name a few.
- Not factoring deflation in recent years and the mixture of textbook costs as a decreasing share of financial aid office budgets for books and supplies for the cost of attendance. For example, the Consumer Price Index (CPI) for new print textbooks in 2020 finished lower than in 2016 with two straight years of deflation and one year below inflation.:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2016	4.5	4.0	3.3	4.8	4.5	6.9	6.6	6.3	6.3	5.9	6.7	6.1	5.5		
2017	4.7	6.5	7.6	4.6	3.8	2.5	3.4	1.7	-0.9	-0.6	0.1	-1.1	2.6		
2018	-0.7	-0.5	-0.7	-0.3	3.8	2.3	1.6	0.5	2.7	2.4	0.7	-0.2	1.0		
2019	-0.7	-1.1	-1.5	-0.4	-4.2	-2.5	-3.9	-0.8	-3.3	-4.2	-3.8	-1.7	-2.4	-1.7	-3.0
2020	-3.1	-3.1	-2.9	-2.2	-1.6	-2.3	-0.9	-2.1	-0.1	0.4	-0.5	0.1	-1.5	-2.5	-0.5

- Understanding the shift to digital and free course material use which grew significantly in 2020 according to the latest faculty survey data. Faculty use of print textbooks declined 9% last year versus 2019 while digital use increased by 9%. Faculty are expecting to use more digital course materials in the 2021-2022 school year.<sup>2</sup>

The result of all these trends is the state is collecting less and less sales taxes from textbooks than in previous years and collections will likely continue to decline.

<sup>2</sup> <https://www.nacs.org/nacs-faculty-report-pandemic-spurred-increased-use-of-digital-course-materials>

In conclusion, we believe that the cost of a college textbook sales exemption to treat all textbook sales equally is minimal when compared to the immediate and upfront cost savings for Maryland students who need or prefer printed course materials. It is long past time to give all Maryland students a break whether they choose to acquire print or digital.

The NACS supports efforts to enhance affordable and equitable access to quality course materials, and will continue to work as an ally for student interests. Thank you for this opportunity to testify on this important issue and we are happy to answer any questions the committee has on this issue.