

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 752 (Delegate Moe. *et al.*)

Ways and Means

Sales and Use Tax - Exemptions - Sales by Public Schools and Nonprofit Organizations

This bill exempts from the sales and use tax sales by a public primary or secondary school or a nonprofit parent-teacher association or other nonprofit organization within a public primary or secondary school in the State if the proceeds of the sale are used for the general purposes of the school.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: General fund revenue would decline by approximately \$597,900 in FY 2001 due to the expanded sales tax exemption. Future year losses reflect 3% growth. Expenditures would not be affected.

| (in dollars) | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| GF Revenues | (\$597,900) | (\$615,800) | (\$634,300) | (\$653,300) | (\$672,900) |
| GF Expenditures | 0 | 0 | 0 | 0 | 0 |
| Net Effect | (\$597,900) | (\$615,800) | (\$634,300) | (\$653,300) | (\$672,900) |

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The bill also repeals the exemption for magazine subscriptions for private schools; however, religious-based schools would retain the exemption through a separate provision that exempts sales by a bona fide church or religious organization.

Current Law: The current exemption is limited to the sale of magazine subscriptions by these schools. The current exemption also applies to private schools.

State Revenues: Many of the products sold by school organizations are already exempt from the sales and use tax. The two largest-selling remaining taxable items sold by school organizations are candy and wrapping paper (primarily sold by elementary school organizations). The Comptroller's Office advises that agreements have been reached with the major candy bar vendors to prepay the sales tax on candy packaged for school organization sales.

There are 822 public elementary schools in Maryland. Assuming one sale per year per school with total gross (currently taxable) sales of \$15,000, sales tax revenue would decline by \$616,500 in fiscal 2001. This decline would be offset by repeal of the exemption for private, nonreligious schools, which would increase revenue by approximately \$18,600, for a net revenue loss of \$597,900. This loss is estimated to grow at 3% per year.

Small Business Effect: Small businesses that provide items for resale by school organizations could experience increased revenue if the exemption encourages more school organizations to sell such products or more customers to buy them. Given the current high level of school organization sales, it is not clear whether such sales would increase.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office (Bureau of Revenue Estimates), Maryland State Department of Education, Department of Legislative Services

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cm/jr

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