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By: **Delegate C. Davis**

Introduced and read first time: February 27, 2006

Assigned to: Rules and Executive Nominations

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A BILL ENTITLED

1 AN ACT concerning

2                           **Sales and Use Tax - Exemption for Sales by Religious and Nonprofit**  
3                           **Organizations**

4 FOR the purpose of providing an exemption under the sales and use tax for certain  
5 sales by certain religious or nonprofit organizations under certain  
6 circumstances; limiting the exemption to a certain portion of the sale price for  
7 certain sales by certain religious or nonprofit organizations; and generally  
8 relating to an exemption under the sales and use tax for certain sales by a  
9 religious or nonprofit organization.

10 BY repealing and reenacting, with amendments,  
11 Article - Tax - General  
12 Section 11-204  
13 Annotated Code of Maryland  
14 (2004 Replacement Volume and 2005 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
16 MARYLAND, That the Laws of Maryland read as follows:

17                           **Article - Tax - General**

18 11-204.

19 (a) The sales and use tax does not apply to:

20 (1) a sale to a cemetery company, as described in § 501(c)(13) of the  
21 Internal Revenue Code in effect on July 1, 1987;

22 (2) a sale to a credit union organized under the laws of the State or of the  
23 United States;

24 (3) a sale to a nonprofit organization made to carry on its work, if the  
25 organization:

26 (i) 1. is located in the State;



1 (2) a gift shop at a mental hospital that the Department of Health and  
2 Mental Hygiene operates;

3 (3) a hospital thrift shop that:

4 (i) is operated by all volunteer staff;

5 (ii) sells only donated articles;

6 (iii) contributes the profits from sales to the hospital with which the  
7 shop is associated; and

8 (iv) is not operated in conjunction with a gift shop or another retail  
9 establishment;

10 (4) a vending facility operated under the Maryland Vending Program for  
11 the Blind if:

12 (i) the facility is located on property held or acquired by or for the  
13 use of the United States for any military or naval purpose; and

14 (ii) a post exchange or other tax exempt concession is located and  
15 operated on the same property; [or]

16 (5) an elementary or secondary school in the State or a nonprofit  
17 parent-teacher organization or other nonprofit organization within an elementary or  
18 secondary school in the State for the sale of magazine subscriptions in a fund-raising  
19 campaign, if the net proceeds are used solely for the educational benefit of the school  
20 or its students, including a sale resulting from an agreement or contract with an  
21 organization to participate in a fund-raising campaign for a percentage of the gross  
22 receipts under which students act as agents or salespersons for the organization by  
23 selling or taking orders for the sale; OR

24 (6) SUBJECT TO SUBSECTION (E) OF THIS SECTION, A BONA FIDE  
25 CHURCH, RELIGIOUS ORGANIZATION, OR OTHER NONPROFIT ORGANIZATION  
26 EXEMPT FROM TAXATION UNDER § 501(C)(3) OF THE INTERNAL REVENUE CODE IF:

27 (I) THE SALE IS MADE AT AN AUCTION SALE; AND

28 (II) THE PROCEEDS OF THE SALE ARE USED TO CARRY ON THE  
29 EXEMPT PURPOSES OF THE CHURCH OR ORGANIZATION.

30 (c) To qualify as an organization to which a sale is exempt under subsection  
31 (a)(3) or (5) of this section, the organization shall file an application for an exemption  
32 certificate with the Comptroller.

33 (d) The Comptroller may treat the possession of an effective determination  
34 letter of status under § 501(c)(3) or (13) of the Internal Revenue Code from the  
35 Internal Revenue Service as evidence that an organization qualifies under subsection  
36 (a)(3) or (5) or (1) of this section, respectively.

1 (E) FOR A SALE DESCRIBED UNDER (B)(6) OF THIS SECTION, ONLY THAT PART  
2 OF THE SALE PRICE THAT QUALIFIES FOR A DEDUCTION UNDER THE FEDERAL  
3 INCOME TAX AS A CHARITABLE CONTRIBUTION UNDER THE REGULATIONS AND  
4 GUIDELINES OF THE INTERNAL REVENUE SERVICE IS EXEMPT FROM THE SALES AND  
5 USE TAX UNDER THIS SECTION.

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
7 July 1, 2006.