## By: **Delegate C. Davis** Introduced and read first time: February 27, 2006 Assigned to: Rules and Executive Nominations

## A BILL ENTITLED

1 A1	N ACT	concerning
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2 3	Sales and Use Tax - Exemption for Sales by Religious and Nonprofit Organizations				
4 5 6 7 8 9	FOR the purpose of providing an exemption under the sales and use tax for certain sales by certain religious or nonprofit organizations under certain circumstances; limiting the exemption to a certain portion of the sale price for certain sales by certain religious or nonprofit organizations; and generally relating to an exemption under the sales and use tax for certain sales by a religious or nonprofit organization.				
11 12 13	<ol> <li>BY repealing and reenacting, with amendments,</li> <li>Article - Tax - General</li> <li>Section 11-204</li> <li>Annotated Code of Maryland</li> <li>(2004 Replacement Volume and 2005 Supplement)</li> </ol>				
	<ul><li>15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF</li><li>16 MARYLAND, That the Laws of Maryland read as follows:</li></ul>				
17	Article - Tax - General				
18	11-204.				
19	(a) The sales and use tax does not apply to:				
20 21	(1) a sale to a cemetery company, as described in § 501(c)(13) of the Internal Revenue Code in effect on July 1, 1987;				
22 23	(2) a sale to a credit union organized under the laws of the State or of the United States;				
24 25	(3) a sale to a nonprofit organization made to carry on its work, if the organization:				
26	(i) 1. is located in the State;				

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1 2 services within the Sta	ate on a r	2. is located in an adjacent jurisdiction and provides its routine and regular basis; or				
3		3. is located in an adjacent jurisdiction whose law:				
4 5 organization made to	carry on	A. does not impose a sales or use tax on a sale to a nonprofit its work; or				
<ul> <li>B. contains a reciprocal exemption from sales and use tax for</li> <li>sales to nonprofit organizations located in adjacent jurisdictions similar to the</li> <li>exemption allowed under this subsection;</li> </ul>						
9	(ii)	is a charitable, educational, or religious organization;				
10	(iii)	is not the United States; and				
<ol> <li>11</li> <li>12 instrumentality of the</li> </ol>	(iv) United S	except for the American National Red Cross, is not a unit or States;				
13 (4) 14 organization made to	13 (4) a sale, not exceeding \$500, to a nonprofit incorporated senior citizens' 14 organization made to carry on its work, if the organization:					
15	(i)	is located in the State; and				
16 17 State;	(ii)	receives funding from the State or a political subdivision of the				
18 (5) a sale to a volunteer fire company or department or volunteer 19 ambulance company or rescue squad located in the State made to carry on the work of 20 the company, department, or squad;						
(6) a sale of tangible personal property to a nonprofit parent-teacher association located in the State if the association makes the purchase to contribute the property to a school to which a sale is exempt under item (3) of this subsection or \$ 11-220 of this subtitle; or						
25 (7) 26 organization:	a sale to	a nonprofit organization made to carry on its work, if the				
<ul><li>27</li><li>28 Revenue Code; and</li></ul>	(i)	is qualified as tax exempt under § 501(c)(4) of the Internal				
<ul><li>29</li><li>30 efforts to contain, cle</li><li>31 occurring in United S</li></ul>		is engaged primarily in providing a program to render its best ad otherwise mitigate spills of oil or other substances astal and tidal waters.				
32 (b) The sale	(b) The sales and use tax does not apply to a sale by:					

33 (1) a bona fide church or religious organization, if the sale is made for
34 the general purposes of the church or organization;

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1 2	(2) Mental Hygiene oper		op at a mental hospital that the Department of Health and			
3	(3)	a hospit	al thrift shop that:			
4		(i)	is operated by all volunteer staff;			
5		(ii)	sells only donated articles;			
6 7	shop is associated; an	(iii) d	contributes the profits from sales to the hospital with which the			
8 9	establishment;	(iv)	is not operated in conjunction with a gift shop or another retail			
10 11	) (4) the Blind if:	a vendir	ng facility operated under the Maryland Vending Program for			
12 13		(i) tes for ar	the facility is located on property held or acquired by or for the ny military or naval purpose; and			
14 15	4 5 operated on the same	(ii) property	a post exchange or other tax exempt concession is located and <i>v</i> ; [or]			
17 18 19 20 21 22	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					
	5 CHURCH, RELIGIO	OUS ORC	CT TO SUBSECTION (E) OF THIS SECTION, A BONA FIDE GANIZATION, OR OTHER NONPROFIT ORGANIZATION N UNDER § 501(C)(3) OF THE INTERNAL REVENUE CODE IF:			
27	7	(I)	THE SALE IS MADE AT AN AUCTION SALE; AND			
28 29		(II) ES OF TH	THE PROCEEDS OF THE SALE ARE USED TO CARRY ON THE HE CHURCH OR ORGANIZATION.			
	· / I	ection, th	organization to which a sale is exempt under subsection e organization shall file an application for an exemption er.			
33	3 (d) The Con	nptroller	may treat the possession of an effective determination			

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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.

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

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