

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 522 (Senator Reilly)
 Budget and Taxation

Sales and Use Tax - Exemptions - Girl Scouts and Boy Scouts

This bill exempts from the State sales and use tax sales made by (1) a chartered organization of the Boy Scouts of America or a scout unit chartered by a local council of the Boy Scouts of America in the State or (2) a troop of the Girl Scouts of the USA established in the State.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$1.1 million annually beginning in FY 2017. Expenditures are not affected.

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)
Expenditure	0	0	0	0	0
Net Effect	(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Sales made to certain organizations are exempt from the State sales and use tax, including sales made to:

- tax-exempt cemetery companies;
- credit unions;

- nonprofit organizations;
- nonprofit senior citizens' organizations if the sale does not exceed \$500;
- a volunteer fire or ambulance company or rescue squad;
- a nonprofit parent-teacher association;
- a nonprofit organization qualified as tax-exempt under Section 501(c)(4) of the Internal Revenue Code for the purpose of mitigating spills of oil or other substances occurring in U.S. coastal and tidal waters; and
- a bona fide nationally organized and recognized tax-exempt veterans organization or auxiliary.

The State sales and use tax does not apply to sales made by a bona fide religious organization, if the sale is made for the general purposes of the organization. In addition, sales made by the following organizations are also exempt from the State sales and use tax, including:

- a gift shop at a mental hospital operated by the Department of Health and Mental Hygiene;
- a hospital thrift shop operated by volunteers;
- specified vending facilities operated under the Maryland Vending Program for the Blind;
- an elementary or secondary school or a nonprofit parent-teacher organization for the sale of magazine subscriptions in a fundraising campaign; and
- a parent-teacher organization or other organization within an elementary or secondary school in the State or within a school system in the State.

The sales tax also does not apply to a sale of food if the proceeds are used to support a bona fide nationally organized and recognized veterans' organization or auxiliary.

Background: The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$4.5 billion in fiscal 2016 and \$4.7 billion in fiscal 2017, according to the December 2015 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

Exhibit 1
Sales and Use Tax Rates in Maryland and Surrounding States

Delaware	0%
District of Columbia	5.75%; 10% for liquor sold for off-the-premises consumption and restaurant meals, liquor for consumption on the premises, and rental vehicles
Maryland	6% 9% for alcoholic beverages
Pennsylvania	6% plus 1% or 2% in certain local jurisdictions
Virginia*	5.3%; 2.5% for food, both rates include 1% for local jurisdictions
West Virginia	6%; plus 0.5% or 1% in certain municipalities

*An additional state tax of 0.7% is imposed in localities in Northern Virginia and the Hampton Roads region.

In 2014 the Girl Scouts of the USA reported approximately 2.8 million members, including 2.0 million girls and 809,400 adults. The Boy Scouts of America reported approximately 2.4 million youth participants in various scouting programs in 2014. There were an additional 1.3 million boys in Cub Scout programs.

State Fiscal Effect: General fund revenues decrease by approximately \$1.1 million annually beginning in fiscal 2017. This estimate is based on the following:

- Maryland comprises 1.87% of the population of the United States;
- The Boy Scouts of America reported \$154.9 million in sales of various items nationwide in 2014; and
- The Girl Scouts of the USA had approximately \$776.0 million in sales of Girl Scout cookies nationwide in 2014.

Additional Information

Prior Introductions: None.

Cross File: HB 719 (Delegate Malone, *et al.*) - Ways and Means.

Information Source(s): Boy Scouts of America, Girl Scouts of the USA, Comptroller's Office, Department of Legislative Services

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