

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 748 (Senator DeGrange, *et al.*)
 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, 2017.

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$140,000 annually beginning in FY 2018. Future year revenue decreases reflect inflation. Expenditures are not affected.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	(\$140,000)	(\$142,800)	(\$145,700)	(\$148,600)	(\$151,500)
Expenditure	0	0	0	0	0
Net Effect	(\$140,000)	(\$142,800)	(\$145,700)	(\$148,600)	(\$151,500)

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

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 \$4.6 billion in fiscal 2017 and \$4.7 billion in fiscal 2018, according to the December 2016 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	0.0%
District of Columbia	5.75%; 10.0% for liquor sold for off-the-premises consumption and restaurant meals, liquor for consumption on the premises, and rental vehicles
Maryland	6.0%; 9.0% for alcoholic beverages
Pennsylvania	6.0% plus 1.0% or 2.0% in certain local jurisdictions
Virginia*	5.3%; 2.5% for food; both rates include 1.0% for local jurisdictions
West Virginia	6.0% plus 0.5% (in one municipality) or 1.0% (in 27 municipalities)

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

In 2015 the Girl Scouts of the USA reported approximately 2.7 million members, including 49,224 girls and 19,639 adults in Maryland. The Boy Scouts of America reported approximately 1.6 million youth participants in various scouting programs in 2015. There were an additional 1.3 million boys in Cub Scout programs.

State Fiscal Effect: The Comptroller’s Office reports that various Boy Scout and Girl Scout groups in the State remit approximately \$140,000 annually in sales taxes collected on taxable items, such as magazine subscriptions. The Comptroller’s Office advises that the Girl Scouts do not collect or remit State sales and use taxes on the sale of Girl Scout cookies, as these sales are considered nontaxable as food for home consumption.

As a result, general fund revenues decrease by approximately \$140,000 in fiscal 2018 and by \$151,500 in fiscal 2022 based on current sales tax collections for sales of taxable items.

Notification costs for the Comptroller can be handled with existing agency resources.

Additional Information

Prior Introductions: HB 719 of 2016 received a hearing in the House Ways and Means Committee, but no further action was taken. Its cross file, SB 522, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: HB 796 (Delegate Malone, *et al.*) - Ways and Means.

Information Source(s): Comptroller's Office; Department of Legislative Services

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