

Department of Legislative Services  
 Maryland General Assembly  
 2021 Session

FISCAL AND POLICY NOTE  
 Enrolled - Revised

Senate Bill 257

(Senator Guzzone)

Budget and Taxation

Ways and Means

Sales and Use Tax – Vendor Collection Credit – Job Training

This bill authorizes a qualified job training organization to claim a sales tax vendor collection credit in an amount equal to 100% of the gross amount of the sales and use taxes that are collected by the vendor. A vendor may not claim more than \$100,000 in credits in any calendar year. A vendor must file a timely sales and use tax return to qualify for the vendor credit. A vendor who claims the vendor credit under the bill, may not claim another vendor credit. **The bill takes effect July 1, 2021.**

Fiscal Summary

**State Effect:** General fund revenues decrease by at least \$100,000 beginning in FY 2022. General fund expenditures increase by \$25,000 in FY 2022.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)
GF Expenditure	\$25,000	\$0	\$0	\$0	\$0
Net Effect	(\$125,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

Analysis

**Bill Summary:** A vendor may apply to the Secretary of Labor to be certified as a qualified job training organization. Within 30 days of receiving an application, the Secretary must make a determination on whether the vendor is a qualified job training organization. A

vendor who claims the sales tax vendor collection credit must submit a report annually to the Secretary by January 31 that includes, for the previous year, (1) the amount of credits claimed; (2) the amount spent by the vendor on job training and employment services; and (3) the number of individuals receiving job training and employment services.

A qualified job training organization is defined as an organization that (1) is located in the State; (2) is tax exempt under Internal Revenue Code 501(c)(3); (3) conducts retail sales of donated items; and (4) provides job training and employment services to individuals with workplace disadvantages or disabilities. In addition, the organization must use a majority of its revenue for job training and job placement programs (1) that assist individuals with growth in employment hours; (2) for individuals with low income, workplace disadvantages, disabilities, or barriers to employment; or (3) for veterans.

The Comptroller must adopt regulations to implement this vendor credit.

**Current Law:** In order to cover expenses for collecting the State sales tax, persons filing timely returns are allowed to take a vendor credit against the gross tax remitted in an amount equal to 1.2% of the first \$6,000 collected and 0.9% of the excess, capped at \$500 per filing period (monthly basis).

Chapter 39 of 2021 (SB 496), the Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families (RELIEF) Act, authorizes eligible vendors to retain an increased vendor credit for the three consecutive months following the enactment of the legislation. The amount of the vendor credit allowed is equal to the lesser of the amount of sales and use tax collected during the month the vendor qualifies for the increased credit or \$3,000. In order to be eligible, (1) a vendor must file a timely sales and use tax return or consolidated return and (2) the gross amount of sales and use tax remitted with the return may not exceed \$6,000.

The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$4.7 billion in fiscal 2021 and \$4.9 billion in fiscal 2022, according to the December 2020 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

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

Delaware	0.0%
District of Columbia	6.0%; 10.0% for liquor sold for on-the-premises consumption, soft drinks sold for on-the-premises consumption, and restaurant meals; 10.25% for alcoholic beverages for consumption off the premises, tickets to specified sporting events, and specified rental vehicles; and 8.0% for specified soft drinks
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 eligible food items; 2.5% for specified essential personal hygiene items; both rates include 1.0% for local jurisdictions
West Virginia	6.0% plus 1.0% in all municipalities

\*An additional state tax of 0.7% is imposed in localities in Central Virginia, Northern Virginia, and the Hampton Roads region; 1.0% is imposed in Halifax County; and an additional 1.7% is imposed in localities in the Historic Triangle.

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The sales and use tax vendor credit is estimated to total \$20.7 million in fiscal 2021 and \$21.2 million in fiscal 2022.

**State Revenues:** General fund revenues decrease beginning in fiscal 2022. The amount of the revenue decrease depends on (1) the number of qualified job training organizations certified by the Maryland Department of Labor (MDL); (2) the amount of taxable sales made by these organizations; and (3) the amount of sales and use taxes collected by each organization.

The Comptroller's Office reports that it is aware of one nonprofit organization that may be eligible for the new vendor credit under the bill. Based on sales reported by that organization for fiscal 2018, it is estimated that the organization remitted approximately \$1.9 million in sales and use taxes. Assuming a 3% annual increase in sales and the amount of the current vendor credit that is provided, it is estimated that the organization will remit approximately \$2.1 million in sales and use taxes in fiscal 2022 and \$2.3 million in fiscal 2026. The bill caps the amount of the vendor credit at \$100,000 for each

calendar year, beginning in fiscal 2022. To the extent the organization qualifies and is certified for the new vendor credit, general fund revenues will decrease by \$100,000 annually beginning in fiscal 2022.

To the extent that other job training organizations become certified to receive the new vendor credit, general fund revenues will decrease accordingly.

**State Expenditures:** The Comptroller's Office will incur a one-time computer programming cost of \$25,000 in fiscal 2022 to add a check box to the sales and use tax return form to indicate the new vendor credit. Given the limited number of organizations that likely qualify as job training organizations under the bill, MDL can likely process applications from those organizations with existing resources.

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### **Additional Information**

**Prior Introductions:** SB 448 of 2020 received a favorable with amendments report from the Senate Budget and Taxation Committee and passed the Senate. The bill was referred to the House Ways and Means Committee, but no further action was taken. Its cross file, HB 594 received a hearing in the House Ways and Means Committee, but no further action was taken. SB 668 of 2019 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

**Designated Cross File:** HB 337 (Delegate P. Young) - Ways and Means.

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

**Fiscal Note History:** First Reader - January 12, 2021  
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