

Department of Legislative Services  
 Maryland General Assembly  
 2022 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1264 (Delegates P. Young and Hornberger)  
 Ways and Means

Sales and Use Tax – Vendor Collection Credit – Alteration

This bill repeals the \$100,000 limit on the total amount of the vendor collection credit that a qualified job training organization may claim during a calendar year. **The bill takes effect July 1, 2022.**

Fiscal Summary

**State Effect:** General fund revenues decrease by approximately \$2.1 million in FY 2023 and by \$2.4 million in FY 2027. Expenditures are not affected.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$2.1)	(\$2.2)	(\$2.3)	(\$2.4)	(\$2.4)
Expenditure	0	0	0	0	0
Net Effect	(\$2.1)	(\$2.2)	(\$2.3)	(\$2.4)	(\$2.4)

*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:** Chapters 354 and 355 of 2021 authorize 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 this vendor credit may not claim another vendor credit.

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.

**State Fiscal Effect:** The Comptroller's Office reports that it is aware of one nonprofit organization that was eligible for the vendor credit under Chapters 354 and 355. 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 \$2.2 million in sales and use taxes in fiscal 2023 and \$2.5 million in fiscal 2027.

The bill repeals the \$100,000 maximum vendor collection credit that a qualified job training organization may claim in a calendar year. Therefore, general fund revenues will decrease by approximately \$2.1 million in fiscal 2023 and by \$2.4 million in fiscal 2027.

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

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** SB 798 (Senator Guzzone) - Budget and Taxation.

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

**Fiscal Note History:** First Reader - March 1, 2022  
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