

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 358
Ways and Means

(Delegate Palakovich Carr)

Budget and Taxation

Sales and Use Tax - Elementary or Secondary School Book Fairs - Exemption

This bill extends an exemption from the State sales and use tax to sales made at an in-person elementary or secondary school book fair conducted in partnership with a third-party vendor. To be eligible for the exemption, the net proceeds must be used for the educational benefit of the school or its students. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: State revenues decrease by an indeterminate amount beginning in FY 2027. Based on one set of assumptions, State revenues could decrease by approximately \$150,000 annually. Expenditures are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill exempts, from the State sales and use tax, sales made by an elementary or secondary school, nonprofit parent-teacher organization, or other nonprofit organization within an elementary or secondary school if the sale is made at a book fair held in-person on the premises of the school and the net proceeds are used solely for the educational benefit of the school or its students. The tax exemption also includes a sale resulting from an agreement or a contract with an organization to participate in a book fair for a percentage of the gross receipts under which students, teachers, school staff, or members of the parent-teacher organization or other nonprofit organization within an elementary or secondary school act as agents or salespersons for the third-party vendor by managing the book fair.

Current Law: Elementary or secondary schools and nonprofit parent-teacher organizations already receive an exemption from the State sales tax in certain circumstances as shown in the following table. This exemption includes the sale of magazine subscriptions through third party vendors for fundraising purposes at the school.

Tax Exempt Status for Certain School Related Sales

	<u>Magazine Subscriptions</u>	<u>Books</u>
Purchase by PTA	Exempt TG 11-204(a)(6)	Exempt TG 11-204(a)(6)
Sale Directly by PTA	Exempt TG 11-204(b)(6)	Exempt TG 11-204 (b)(6)
Sale Through Vendor ¹	Exempt TG 11-204 (b)(5)	Not Exempt

Note: ¹For purpose of PTA/School Fundraising; PTA = parent teacher association; TG = Tax-General Article

State Sales and Use Tax

According to the December 2025 revenue forecast, the sales and use tax is the State’s second largest source of general fund revenue, accounting for approximately \$6.1 billion in fiscal 2026 and \$6.2 billion in fiscal 2027. The current tax rate is 6.0%.

State Fiscal Effect: State revenues decrease by an indeterminate amount beginning in fiscal 2027. The total revenue decrease depends on the number of school book fairs that take place each year and the amount of sales at these events. Information is not currently available on the total magnitude of school book fairs in Maryland, since the lead third-party vendor for such events (Scholastic Corporation) does not report the breakdown of sales at the state level. However, information is available from recent book fairs at two elementary schools in Montgomery County. Recent book fairs held at Rachel Carson Elementary School in Gaithersburg have averaged \$22,400 in sales over the past four events, while Bethesda Elementary School had sales totaling approximately \$20,000 at one event last year. Based on the current 6.0% State sales tax rate, the proposed tax exemption would have resulted in a \$1,344 revenue loss at the book fair at Rachel Carson Elementary School and a \$1,200 revenue loss at Bethesda Elementary School.

Based on one set of assumptions, the potential revenue loss from the proposed sales tax exemption could total approximately \$150,000 annually statewide. This estimate is based on 500 school book fairs taking place each year with average sales of \$5,000 at each school.

According to the Maryland State Department of Education (MSDE), there are approximately 1,400 elementary and secondary schools in the State, of which around 1,000 are elementary and middle schools. This estimate assumes that 50% of public elementary and middle schools will conduct a book fair each year.

MSDE also reports that approximately 51.0% of public school students are approved for free and reduced-price meals (FRPM) which is one approach to measure the family income levels of public school students and their ability to purchase items at a school sponsored book fair. The FRPM count as a percent of student enrollment ranges from 27.8% in Calvert County to 86.8% in Baltimore City. Three local school systems (Baltimore City, Caroline County, and Somerset County) have over 70% of their students approved for FRPM. Due to the variations in the family incomes across Maryland, potential book sales may be significantly lower in certain public schools. Due to this reason, this estimate assumes that the average sales from school book fairs will be lower than the current experience in Montgomery County.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 403 (Senator McCray, *et al.*) - Budget and Taxation.

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

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