

JULIE PALAKOVICH CARR
Legislative District 17
Montgomery County

Ways and Means Committee
Chair, Revenues Subcommittee

Chair, Montgomery County
House Delegation



The Maryland House of Delegates
6 Bladen Street, Room 202
Annapolis, Maryland 21401
410-841-3037
800-492-7122 Ext. 3037
Julie.PalakovichCarr@house.maryland.gov

THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 358
Sales and Use Tax – Elementary or Secondary School Book Fairs – Exemption

School book fairs are an integral activity in promoting student literacy and for raising funds to support school programs. This bill would exempt school book fairs from the state's sales tax, which is consistent with the exemptions from taxation for other PTA fundraising activities.

The elementary school years are critical for building literacy and love for reading. Every effort should be made to generate positive experiences with books. For many students, their school's book fair may be their only chance to shop for and purchase a book.

School book fairs are often a key fundraising activity to benefit K-12 school activities and programs. In Maryland, most school-based book fairs are run in partnership with Scholastic, which provides the books, point of sale systems, and administrative support. Notably, Parent-Teacher Associations (PTA) and school volunteers provide all the labor for running the fair. PTA volunteers are the people who set up the books and displays, help the students to shop, ring up the sales, and pack up and send back unsold merchandise. PTAs retain 25% of the book fair proceeds if they receive compensation as a check; the PTA's share may be as high as 50% if the payout is taken in books instead of money.

Schools and PTAs are typically not required to pay or remit state sales tax because of their governmental or non-profit status. For instance, PTAs are exempt from paying sales tax when making purchases. Maryland law also exempts PTAs from having to collect sales tax when selling items as part of a fundraiser (e.g. selling snacks at a school event or holding a fundraising bake sale or silent auction). PTAs are also exempted from collecting sales tax when partnering with a third-party vendor to sell magazine subscriptions as a fundraiser. Although once a common form of fundraising, the sale of magazine subscriptions is now limited in the digital age and due to child safety concerns. In many ways, book fairs are the modern day equivalent of those magazine subscription fundraisers.

Unlike other PTA fundraising activities, school book fairs are typically not currently exempt from Maryland's sales tax. That's because the PTA partners with a third-party vendor, such as Scholastic. Technically, Scholastic is the entity that is responsible for remitting the sales tax to the State, even though PTA volunteers did nearly all of the work to make the transaction possible and even though the book fair is a fundraiser for a non-profit.

Unfortunately, applying the sales tax to school book fairs undermines the fundraising ability of the PTA. That's because the primary customers of the book fair are elementary-aged children, who have finite funds available to them. Kids only have whatever cash their parents gave them or deposited into an online wallet. Take for example a student who is given \$20 by their parents. The child picks out two books that cost a total of \$20; the student goes to check out and finds out that they owe \$21.20 (\$20 plus \$1.20 in sales tax). With sales tax, the student can only afford to buy one book and must put the other book back—cutting the potential sale in half. The reduced sale not only results in the student getting fewer books, it also cuts into the PTA's fundraising. For every \$1 in foregone book sales, the school/PTA loses approximately \$0.25-\$0.50, compared to just a \$0.06 loss for the State. While these losses are small to the State, they dramatically reduce the fundraising ability of the book fair.

This bill would update the sales tax law to exempt book fairs held by a school or PTA in conjunction with a third-party vendor so long as the book fair is a fundraiser to benefit the school. Our neighboring states of Virginia and West Virginia already exempt school book fairs from sales tax. Providing this exemption will allow more students to purchase more books and will help school fundraising efforts. It is truly an investment in childhood learning and in public education.