

Information on Maryland Filing Requirements and Sales Tax

In some circumstances, and for Districts or clubs who are incorporated, the filing of Maryland state annual information or tax returns may be required. Member clubs are encouraged to refer to the Comptroller of Maryland's website www.marylandtaxes.com and/or consult a qualified tax professional for information.

In addition and importantly, the exemption from federal income tax that benefits a subordinate District or garden club in FGCMMD's Group Exemption from IRS ***does not extend*** to exemption from (1) collecting Maryland sales tax on items sold or (2) paying Maryland sales tax on purchases, even though those sales or purchases support its non-profit purpose. Generally, if you will make sales in Maryland, you will need to obtain a sales and use tax license, collect sales tax on items you sell, and remit sales tax to the state. Also, your purpose-related purchases are subject to Maryland sales tax, although individual Districts or member clubs may apply for an exemption certificate.

Information on Maryland sales tax topics from the Comptroller's website is provided below as a resource for subordinates. **This information is for educational purposes and is not intended as legal or tax advice. If legal, tax or other expert advice is required, please retain the services of a qualified professional.**

- **Sales and Use Tax**

- ***30-day permit or permanent license***

To collect the sales and use tax you must first obtain a license. You should register as soon as possible. If you don't register now and are later found to be making taxable sales without collecting the tax, you will be liable for back taxes. You can get either a 30-day permit or a permanent license. If you sell at only one or two flea markets a year, a 30-day permit should be sufficient.

If you sell frequently, you can benefit more from a permanent license. Permanent licensees don't have to pay the tax on items they buy to resell if they present a resale certificate. However, there are limitations. Permanent licensees may also deduct a collection fee on the reporting form. The fee is deducted from the taxes collected.

You can get the 30-day permit by calling the Special Events Section at 410-767-1543.

For a permanent license, complete a Combined Registration Application online. The application provides a one-stop method for registering a variety of tax accounts, including the sales and use tax license.

The Maryland sales and use tax rate is 6 percent on all taxable sales other than certain vehicle rentals and sales of mobile homes. Most sales of food by substantial grocery or market businesses are not subject to tax. Other exemptions include medicine, energy for residential use, manufacturing machinery and equipment, and certain agricultural equipment and supplies.

*Reference: <http://business.marylandtaxes.com/taxinfo/salesanduse/fleamarket.asp>
and <http://business.marylandtaxes.com/taxinfo/salesanduse/default.asp>*

- **Tax-Exempt Sales by Nonprofit Organizations**

The following sales made by nonprofit organizations are exempt from the Maryland sales and use tax:

- *Sales by churches or religious organizations for their general purposes.*
- *Sales of food by schools other than post-secondary institutions.*
- *Sales of food by a nonprofit organization if there are no facilities for food consumption on the premises and the food is not sold within an enclosure for which a charge is made for admission.*
- *Sales of food served by a volunteer fire, ambulance or rescue company or an auxiliary if the proceeds are used to support the organization.*
- *Sales of magazine subscriptions in a fundraising activity by an elementary or secondary school in the state if the net proceeds are used solely for the educational benefit of the school or its students.*
- *Sales made in hospital thrift shops operated entirely by volunteers selling only donated articles for the benefit of the hospital.*
- *Sales made by an auctioneer for a bonafide church or religious organization if the proceeds are used for exempt purposes. The tax should not be collected on the portion of the price that qualifies for a deduction as a charitable organization under IRS guidelines.*

Only churches, religious organizations and government agencies may use an exemption certificate to purchase items for resale without paying sales and use tax. All other organizations must issue a resale certificate, with their Maryland sales and use tax license number, to purchase items tax-free for resale.

Any organization making ordinarily taxable sales of tangible personal property, including meals, must obtain a sales and use tax license and collect and remit the tax, even though the organization has an exemption for items it purchases. The organization must collect tax on sales to anyone, including members, students and beneficiaries, even if the item has been donated or sold at or below cost.

Reference: <http://business.marylandtaxes.com/taxinfo/salesanduse/exemption/exemptions.asp>

- **Sales and Use Tax Exemption Certificates**

The Comptroller's Office issues sales and use tax exemption certificates to certain qualifying organizations, entitling them to make specific purchases without paying sales and use tax.

The following organizations can qualify for exemption certificates:

- *Nonprofit charitable, educational and religious organizations*
- *Volunteer fire companies and rescue squads*
- *Nonprofit cemetery companies*
- *Qualifying veterans organizations*
- *Government agencies*
- *Credit unions*

By law, Maryland can only issue exemption certificates to qualifying, nonprofit organizations located in Maryland or in any of the following adjacent jurisdictions:

Delaware, Pennsylvania, Virginia, West Virginia and Washington, D.C.

.... An organization may use its exemption certificate to purchase tangible personal property that will be used in carrying on its work. This includes office supplies and equipment and supplies used in fundraising activities, but does not include items used to conduct an "unrelated trade or business" as defined by Section 513 of the U.S. Internal Revenue Code.

The exemption certificate is a wallet-sized card, bearing the holder's eight-digit exemption number and an expiration date. An exemption certificate is not transferable and applies only to purchases made by the registered organization. It may not be used to purchase items for the personal use of officials, members or employees of the organization, or to purchase items that will be donated to the organization...

Reference: <http://business.marylandtaxes.com/taxinfo/salesanduse/exemption/default.asp>

How to Apply for an Exemption Certificate

To apply for an exemption certificate, complete the Combined Registration Application. The application may also be obtained by calling Taxpayer Service at 410-767-1300 in the Baltimore area, or toll-free 1-800-492-1751 from elsewhere in Maryland, Monday - Friday, 8:00 a.m. - 5:00 p.m. EDT

There is no provision for applying for the exemption certificate online. You must complete the hard copy version of the application to apply for the certificate.

Nonprofit organizations must include copies of their IRS 501(c)(3) determination letter, articles of incorporation and their organization's bylaws with the completed application. Failure to do so will result in the application being returned.

Mail the completed application and required documents to:

*Comptroller of Maryland
Central Registration
Revenue Administration Center
Annapolis, MD 21411-001*

Reference: <http://business.marylandtaxes.com/taxinfo/salesanduse/exemption/applying.asp>

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