An Act to Exempt Certain Nonprofit Organizations from the Sales and Use Tax and the Service Provider Tax

Reference to the Committee on Taxation suggested and ordered printed.

Presented by Representative SACHS of Freeport.
Cosponsored by Senator PIERCE of Cumberland and Representatives: DHALAC of South Portland, HEPLER of Woolwich, KUHN of Falmouth, MATLACK of St. George, TERRY of Gorham.
Be it enacted by the People of the State of Maine as follows:

Sec. 1.  36 MRSA §1760, sub-§115 is enacted to read:

115.  Section 501(c)(3) nonprofit organizations. Beginning January 1, 2024, sales to a nonprofit organization that has been determined by the United States Internal Revenue Service to be exempt from federal income taxation under Section 501(c)(3) of the Code, if the tangible personal property or taxable services sold are to be used primarily for the purposes for which the nonprofit organization was organized.

Sec. 2.  36 MRSA §2557, sub-§40 is enacted to read:

40.  Section 501(c)(3) nonprofit organizations. Beginning January 1, 2024, sales to a nonprofit organization that has been determined by the United States Internal Revenue Service to be exempt from federal income taxation under Section 501(c)(3) of the Code, if the services sold are to be used primarily for the purposes for which the nonprofit organization was organized.

Sec. 3.  Study; additional legislation. The Department of Administrative and Financial Services, Bureau of Revenue Services, Office of Tax Policy shall study the entity-based exemptions provided to qualifying nonprofit organizations from sales and use tax pursuant to the Maine Revised Statutes, Title 36, section 1760 and from service provider tax pursuant to Title 36, section 2557. The department shall submit a report including suggested legislation repealing or otherwise modifying any of those exemptions that are found to be duplicative or unnecessary to the Joint Standing Committee on Taxation no later than December 6, 2023. The joint standing committee may report out a bill to the Second Regular Session of the 131st Legislature regarding that report. Notwithstanding Title 36, section 191, the Office of Tax Policy may disclose the number of nonprofit organizations not exempt under Section 501(c)(3) of the federal Internal Revenue Code of 1986 that have active exemption certificates under each sales or service provider tax exemption.

SUMMARY

This bill exempts from the sales and use tax and from the service provider tax sales to a nonprofit organization that has been determined by the United States Internal Revenue Service to be exempt from income taxation under Section 501(c)(3) of the federal Internal Revenue Code of 1986 if the property or services sold are to be used primarily for the purposes for which the nonprofit organization was organized. The bill requires the Department of Administrative and Financial Services, Bureau of Revenue Services, Office of Tax Policy to review sales and use tax and service provider tax exemptions to identify provisions that should be repealed or amended because they are duplicative or otherwise unnecessary and to submit a report including suggested legislation repealing or modifying those exemptions to the Joint Standing Committee on Taxation.