

religious, charitable, or educational organizations.

Sales to persons who operate these types of organizations are currently exempt from the State sales tax. House Bill 531 clarifies the availability of this exemption for the institution or organization itself, rather than for the person who operates the organization. Secondly, the bill requires the organization to apply for the exemption. Finally, the bill attempts to bring a certain needed consistency to the law by providing that the Comptroller may treat an organization's exemption under § 501(c)(3) of the Internal Revenue Code as evidence of its qualification for the exemption from the State sales tax.

House Bill 531, as introduced, addressed itself only to the third objective mentioned above. As amended, however, the bill substantially broadens its scope by exempting not only a religious, charitable, or educational organization, exempt under IRC §501(c)(3), but also nonprofit civic leagues or organizations, the earnings of which are devoted to charitable, educational, or recreational purposes which are exempt from income taxes under IRC §501(c)(4), but are not presently exempt from the State sales tax.

This extension of the sales tax exemption to civic organizations and recreational programs, according to the Retail Sales Tax Division, would result in a possible loss of approximately \$500,000 in sales tax revenue.

House Bill 531 was intended to clarify a provision of the sales tax law which in the past has caused interpretive and administrative problems for the Comptroller's office. However, as presented to me, the bill extends the sales tax exemption far beyond the sponsor's intentions and the State's ability to absorb.

For the reasons stated, and at the request of the Comptroller's office, I have decided to veto House Bill 531.

Sincerely,
Marvin Mandel
Governor

House Bill No. 539 - Subpoena Fowers - Country Club Lands