

**STATEMENT IN SUPPORT OF
SB 237 AND HB 203 - SALES AND USE TAX - EXEMPTIONS - VETERANS' ORGANIZATIONS
MARYLAND GENERAL ASSEMBLY**

I am requesting your support of SB 237 and HB 203 - Sales and Use Tax - Exemptions - Veterans' Organizations. These cross-filed bills provide for an exemption from the sales and use tax for sales to veterans' organizations that are qualified as tax exempt under § 501(c)(4) of the Internal Revenue Code. Currently, veterans' organizations qualified as tax exempt under § 501(c)(19) of the Internal Revenue Code are exempt from sales and use tax. Veterans organizations were exempt under § 501(c)(4) of the Internal Revenue Code prior to the enactment of § 501(c)(19). Many of the smaller organizations chose not to seek reclassification under the new section, but to continue to be exempt as veterans' organizations under § 501(c)(4). The Congressionally-chartered Jewish War Veterans of the U.S.A (JWV), the nation's oldest active war veterans organization, is one of the organizations that continues to remain exempt under § 501(c)(4). JWV and other veterans' organizations exempt under § 501(c)(4) perform essentially the same functions and volunteer service to veterans as veterans' organizations exempt under § 501(c)(19). It is only fair that they should be accorded the same sales and use tax exemption.

In support of this request, the following information is extracted verbatim from Internal Revenue Service Publication 3386 – Tax Guide – Veterans' Organizations:

“Prior to the enactment of IRC 501(c)(19), veterans' organizations were generally recognized as tax-exempt under IRC 501(c)(4) because their primary activities promoted the social welfare of the community....”
(Emphasis supplied)

“Should an IRC 501(c)(4) veterans' organization ask to be reclassified under IRC 501(c)(19)?”

“It depends. An organization that satisfies the membership requirements under IRC 501(c)(19) should consider asking to be reclassified under the section since it permits a broader range of activities. For example, operating a bar and dining facility are activities that do not directly promote the social welfare of the community because they are social and recreational in nature but are permissible activities under IRC 501(c)(19). An organization that does not engage in social activities need not seek a reclassification....”
(Emphasis supplied)

While JWV and other veterans' organizations exempt under IRC 501(c)(4) satisfy the membership requirements of IRC 501(c)(19), they do not operate “a bar and dining facility” or similar facilities as many of the larger organizations (American Legion, Veterans of Foreign Wars, etc.) do. As such, at least in the case of JWV and in accordance with Internal Revenue Service guidelines, it was determined at the national level that there was no need to seek a reclassification.

All IRC 501 organizations are exempt from Maryland Income Tax under the provisions of Title 10, § 10-104, of the Maryland Code.

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