



## Sales & Excise Tax Exempt Organizations Payment Methods – Maryland

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### *Why does it matter how I pay for my purchase in order to qualify for the exempt organization exemption?*

Maryland dictates that in order to qualify for the sales tax exemption available to exempt organizations, including government agencies, nonprofit organizations, and religious and educational institutions, the sale must be:

1. Made directly to the organization, *and*
2. Paid for from the organization's funds.

This is why Costco requires exempt purchases be made using a business membership card in the name of the organization and why we only allow the following payment methods:

1. Organization credit or debit card (the card cannot be issued to an individual), or
2. Organization check.

The applicable Maryland information follows:

#### Business Tax Tip #6. Retail Sales Involving Exemption Certificates

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Are government employees permitted to use the government's exemption certificate?

While government employees may use the exemption certificate to make purchases of goods for the government unit, there is an important exception. The sales and use tax law does not expressly exempt sales to a government employee who, for example, rents a hotel room or purchases a meal and pays for it with cash, personal check or personal credit card. Those employees are required to pay the Maryland sales and use tax to the vendor. The tax is due on those transactions even though the employee may have documentation provided by the government agency that the purchaser is a government employee or may be reimbursed by the government for those expenses.

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(Revised December 2000)

This information can also be accessed on the Maryland Comptroller's web site at <http://business.marylandtaxes.com/news/taxtips/business/bustip06.asp> or you can call the state directly at 410-767-1300 from the Baltimore area or 1-800-492-1751 from elsewhere in Maryland.