



February 22, 2024

**Testimony in SUPPORT of a Blanket Sales Tax Exemption for 501(c)(3) nonprofits, as contained in Part H of LD 2214:** "An Act to Make Supplemental Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds and to Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2024 and June 30, 2025"

Dear Senator Rotundo, Senator Grohoski, Representative Sachs, Representative Perry, and members of the Appropriations and Financial Affairs and Taxation Committees,

My name is Mary Alice Scott, and I am the Public Affairs Manager at Maine Association of Nonprofits (MANP). MANP is a growing membership organization made up of over 1,000 nonprofit members from all 16 counties. For 30 years, MANP has grown to become Maine's comprehensive resource for the tools, knowledge, and connections nonprofits need to be effective and well-run.

I am testifying today **in support** of the **blanket sales tax exemption for 501(c)(3) nonprofits** contained in Part H of LD 2214.

This issue is a critically important issue to the nonprofit sector, but in an effort to be respectful of your time, we have asked only a handful of organizations to join us and testify in person today. As part of my testimony, I am submitting a letter **signed by more than 250 organizations**. These signatories represent charitable organizations of different sizes and missions from all over our state.

*Current sales tax exemptions aren't working.*

The current law regarding sales tax exemptions is unusual, unfair, confusing, and inefficient. **Most other states, and other states in New England, already have a blanket sales tax exemption for 501(c)(3) nonprofits**, and it makes sense to do it that way.

It makes sense for every 501(c)(3) organization to receive the same treatment when it comes to sales tax – the IRS recognizes that they are all doing work for the public good; Maine should recognize that, too.

Instead, Maine's current exemption system wastes valuable time by state administrators and the state legislature; and it unfairly divides 501(c)(3) organizations, despite the IRS recognizing each of those organizations as having a public benefit.

The myriad of current specific exemptions are not logically aligned in terms of why one group receives exemption while others don't. If you look through the statutory language of the exemptions list, you'll see that many of the exemptions are confusing, arbitrary, or extremely narrow.

Some veterans' groups are exempt, while others are not. Some organizations working on housing are exempt, while others are not. Organizations that provide shelter for domestic violence victims are exempt, but organizations that provide resources for sexual assault victims are not. Why? There is no rubric or reason.

565 Congress Street, #301  
Portland, Maine 04101  
tel. 207-871-1885  
fax: 207-780-0346

[www.NonprofitMaine.org](http://www.NonprofitMaine.org)

Adding exemptions in this patchwork way has made for a confusing and unfair system. It's even confusing for businesses to manage. Some organizations have shared anecdotes about having to correct retailers, asking them to add sales tax back onto a purchase.

The current exemption process is also skewed toward nonprofits who know how to work the legislative system. Small organizations are focused on accomplishing work in their communities, and we've heard from multiple nonprofits who have said they just don't have the capacity to fight for an individual exemption. As we have seen, that system doesn't really work anyway.

*Nonprofits serve people in every county and community in Maine.*

Nonprofits maintain and promote the public good throughout our state. Through this work, nonprofits support government efforts to more effectively and efficiently support Maine people, thereby reducing the burden on the state's taxpayers.

Nonprofits are also vital to Maine's economy. In fact, **nonprofits employ 1 in 6 Maine workers**. However, much of our work is done through the mobilization of more than 400,000 volunteers each year. A necessity, since most Maine nonprofits are very small, lean, and community-based: 88% have annual budgets less than \$500,000 and 61% have annual budgets under \$50,000. Every dollar makes a difference for these organizations.

Tax exemption recognizes the important partnership between nonprofits and government and ensures that every dollar earned and spent by a nonprofit is dedicated to the mission and people it was created to serve.

*External forces are creating additional risk to the services nonprofits provide*

Donations to nonprofits declined in 2022 (only the 4th time in 40 years) while inflation and a workforce shortage are driving costs up. Unlike for-profit businesses, nonprofits can't raise prices when costs go up. If the funding isn't there, programs and services get cut, and communities suffer. When nonprofits are forced to cut back on staffing and services, the need remains – which can increase government costs.

*Wide impact across the state in critical subsectors*

Maine Revenue Services recently issued a report on this topic, demonstrating that more than **5,000 nonprofits across the state would benefit** from a blanket exemption for 501(c)(3) nonprofits. We recognize that as legislators you have a lot to focus on; a benefit of this proposal is that it would have a positive impact on so many critical priorities of the moment, from mental health and crisis intervention, to public safety and disaster preparedness / relief, to housing, to youth development, and so much more.

Now is the ideal opportunity to fix this inefficient, convoluted policy that puts some community organizations at an unfair disadvantage despite committing their time and resources to the strengthening of Maine communities just like their exempted peers.

We urge you to ensure that a blanket sales tax exemption for 501(c)(3) nonprofits remains in the budget.

Thank you for your time and consideration. I am happy to answer any questions.

---

565 Congress Street, #301  
Portland, Maine 04101  
tel: 207-871-1885  
fax: 207-780-0346

[www.NonprofitMaine.org](http://www.NonprofitMaine.org)



February 22<sup>nd</sup>, 2024

Dear Senator Rotundo, Senator Grohoski, Representative Sachs, Representative Perry, and members of the Appropriations and Financial Affairs and Taxation Committees,

Nonprofits maintain and promote the public good throughout our state. We provide many essential, high-impact and community-based services. Through this work, nonprofits support government efforts to more effectively and efficiently support Maine people, thereby reducing the burden on the state's taxpayers.

Nonprofits are also vital to Maine's economy. In fact, we employ 1 in 6 Maine workers. However, much of our work is done through the mobilization of more than 400,000 volunteers each year. A necessity, since most Maine nonprofits are very small, lean, and community-based: 88% have annual budgets less than \$500,000 and 61% have annual budgets under \$50,000. Every dollar makes a difference for these organizations.

Tax exemption recognizes the important partnership between nonprofits and government and ensures that every dollar earned and spent by a nonprofit is dedicated to the mission and people it was created to serve.

**The current sales tax exemption system is:**

- **Unfair:** Some 501(c)(3) nonprofits pay sales tax, and some don't, even though all are recognized as charitable.
- **Confusing:** The current law is a patchwork of 100+ exemption provisions, making it hard to understand.
- **Unusual:** Most states across the country and in New England provide a blanket exemption for 501(c)(3)s.
- **Inefficient:** The current approach wastes the time of legislators, administrators, businesses, and nonprofits.

According to a study by Maine Revenue Services, a blanket sales tax exemption for 501(c)(3)s would **benefit more than 5,000** charitable nonprofits across the state, providing a direct benefit to communities in every corner.

The undersigned organizations ask that you **keep the blanket sales tax exemption for 501(c)(3)s** in the supplemental budget **as is currently written**.

Signed,

Maine Association of Nonprofits

30 Mile River Watershed Association  
 317 Main Community Music  
 3i Housing of Maine  
 7 Lakes Alliance  
 Acadia Festival of Traditional  
   Music and Dance  
 Acton Congregational Church  
 Adaptive Outdoor Education Center  
 Alford Youth & Community Center  
 Alice James Poetry Cooperative Inc  
 Anchor ME Farm  
 Androscoggin Valley Soil & Water  
   Conservation District (under Maine  
   Association of Conservation Districts)  
 Animal Refuge of Greater Portland  
 ArtVan  
 Association culturelle et historique du  
   Mont-Carmel  
 Association of Maine Archives & Museums  
 Augusta Teen Center  
 Autism Society of Maine  
 Bath Brunswick Respite Care  
 Belgrade Historical Association  
 Belgrade Lakes Association  
 Belgrade Parent Teacher Organization  
 Bethel Area Arts & Music  
 Bethel Area District Exchange and  
   Food Pantry  
 Bicycle Coalition of Maine  
 Biddeford City Theater  
 Big Rock  
 Birth Roots Center for Community  
   Supported Parenting  
 Blue Hill Heritage Trust  
 Boothbay Harbor Memorial Library  
 Boothbay Region Land Trust  
 Boreal Theater  
 Bowdoin International Music Festival  
 Boys & Girls Club of Bangor  
 Breaking the Cycle Recovery Home  
 Brunswick-Topsham Land Trust  
 Camp Beech Cliff  
 Camp O-AT-KA  
 Cape Elizabeth Land Trust  
 Caring Resources for Living  
 Carrabassett Valley Public Library  
 Castine Historical Society  
 Celebration Barn Theater  
 Center for an Ecology-Based Economy  
 Child Evangelism Fellowship of Maine, Inc.  
 Classical Uprising  
 Coastal Kids Preschool  
 Coastal Maine Botanical Gardens  
 College Guild  
 Community Housing Improvement Project  
 Dempsey Centers for Quality Cancer Care  
 Denmark Arts Center  
 Dignity First  
 Downeast Coastal Conservancy  
 Downeast Community Partners  
 Downeast Salmon Federation  
 Eagleson Institute  
 Eastport Arts Center  
 Environmental and Energy Technology  
   Council of Maine  
 Falmouth Land Trust  
 Fiddlehead Center for the Arts  
 For Deeper Learning  
 Foundation for Portland Public Schools  
 Freeport Conservation Trust  
 Friends of Hog Island  
 Friends of Long Creek Youth Development  
   Center  
 Friends of Portland Adult Education  
 Friends of the Cobbossee Watershed  
 Friends of Wilson Pond Area Inc  
 Furniture Friends  
 Gateway Milbridge  
 Georges River Land Trust  
 Give a Dog a Home Rescue  
 give IT. get IT.  
 Grahamtastic Connection  
 Great Works Regional Land Trust  
 Greater Lovell Land Trust  
 GrowSmart Maine  
 Habitat for Humanity of Greater Portland  
 Hallowell Food Pantry  
 Hancock County Auditorium  
 Hancock County NST (Neighborhood  
   Support Team)  
 Hardy Girls Healthy Women  
 Healthy Communities of the Capital Area  
 Heart of Biddeford  
 Heart of Ellsworth

Herring Gut Coastal Science Center  
Hewnoaks Artist Residency  
High Peaks Cultural Coalition  
Hope Acts  
Hospice Volunteers of Hancock County  
Hospice Volunteers of Somerset County  
Immigrants Community Integration  
Inclusive Ski Touring  
Indigo Arts Alliance  
Information Technology Exchange -  
give IT get IT  
Inland Woods+Trails  
Institute for Family-Owned Business  
Island Housing Trust  
Island Institute  
Island Workforce Housing  
Junior Achievement of Maine  
Katahdin Friends, Inc  
Kennebec Estuary Land Trust  
Kennebec Mental Health Associates  
Kennebunkport Conservation Trust  
Kittery Land Trust  
Kneisel Hall  
Lake Stewards of Maine  
Lifeline for ME Recovery  
Literacy Volunteers of Franklin and  
Somerset Counties  
Literacy Volunteers of Kennebec  
Loon Echo Land Trust  
Main Street Skowhegan  
Maine Academy of Modern Music  
Maine Access Points  
Maine Appalachian Trail Club, Inc  
Maine Art Gallery Wiscasset  
Maine Blackfly Breeders Association  
Maine Cancer Foundation  
Maine Coalition Against Sexual Assault  
Maine Coast Fishermen's Association  
Maine Coast Heritage Trust  
Maine Council of Churches  
Maine Discovery Museum  
Maine Family Planning  
Maine Film Association  
Maine Food and Beverage Education Center  
Maine Forest and Logging Museum  
Maine Grain Alliance  
Maine Jewish Museum  
Maine Maritime Museum

Maine Philanthropy Center  
Maine Preservation  
Maine Public Health Association  
Maine Senior Games  
Maine State Music Theatre  
Maine Writers & Publishers Alliance  
Mainewoods Dance Camp  
Making Community Happen, Inc  
Many Hands for Marine Preservation Inc  
Mayo Street Arts  
Mid Coast Hunger Prevention Program  
Midcoast Conservancy  
Midcoast Humane  
Midcoast Symphony Orchestra  
Mobius, Inc.  
Momentum Conservation  
NAMI Maine  
National Association of Wetland Managers  
Neighbor to Neighbor  
New England Aarb American Organization  
New England Frontier Camp  
Nibezun  
Northern Maine Development Commission  
Northern New England Center for  
Financial Training  
Oceanarium and Education Center  
OHI  
Opera House Arts  
Orr's Island Library  
OUT Maine  
PAWS Animal Adoption Center  
Penobscot Theater Company  
Phoenix No Limits Karate, Inc  
Pine Tree Hospice  
Piscataquis Regional Food Center  
Points North Institute  
Portland Chamber Music Festival  
Portland Ovations  
Portland Stage  
Portland Trails  
Preble Street  
Presente! Maine  
Project GRACE  
Rangeley Lakes Heritage Trust  
Rett's Roost  
Riding To The Top Therapeutic  
Riding Center  
Rufus Porter Museum

Rural Community Action Ministry  
Ruth's Reusable Resources  
Saco Main Street  
Scarborough Land Trust  
Sea Change Yoga  
Seabird Institute  
Sebasticook Regional Land Trust  
Seedlings to Sunflowers  
Seguinland Institute  
Senior Center at Lower Village  
SeniorsPlus  
Service Dog Strong  
Sexual Assault Prevention and Response  
Services  
Sexual Assault Response Services of  
Southern Maine  
Sexual Assault Support Services of  
Midcoast Maine (SASSMM)  
Side x Side  
Simpson Memorial Library  
Snowlion Repertory Company  
Somerset Woods Trustees  
Source School  
SPACE Gallery  
Speaking Place  
Spectrum Generations  
Spirit Series, Inc.  
Sportsman's Alliance of Maine  
State YMCA Camp of Maine  
Station Maine  
Stetson Historical Society  
Surf Point Foundation  
Team Long Run  
Teens to Trails  
TEMPOart  
The Apprenticeshop  
The Bingham Program  
The Center for Entrepreneurial Studies  
The Conservation Fund  
The Cultural Alliance of Maine  
The Eastport Arts Center  
The Ecology School  
The Gathering Place  
The Grand  
The Nature Conservancy in Maine  
The Parsonage Gallery  
The Pierre Monteux Memorial Foundation  
The Stanley Museum, Inc.

The Third Place Inc.  
The Unseen Hand: Medicine from Antiquity  
The Waldo Theatre  
The WindowDressers, Inc.  
Theater at Monmouth  
Toms River Regional School District  
Trekking  
Tri-County Mental Health  
Unfunded List  
United Cerebral Palsy of Northeastern ME  
United Recovery Fund  
Volunteers Of America (VOA) Northern  
New England  
Wabanaki REACH  
Waterford Historical Society  
Waterford Library  
Waterman's Community Center  
Watershed Center for the Ceramic Arts  
Waterville Creates/Maine Film Center  
Wellness Mobile  
WERU Community Radio  
Western Foothills Land Trust  
Wilton Scholarship Foundation  
Windham School Age Child Care, Inc.  
Women for Healthy Rural Living  
Women United Around World  
World Affairs Council of Maine  
World Salvation Partners Inc.  
Yarmouth Cares About Neighbors  
YMCA of Auburn-Lewiston