

Changes to Occasional Sales Tax Exemption for Nonprofit Organizations

Nonprofit organizations are generally exempt from federal and state income taxes, but are not necessarily exempt from sales or use taxes. An organization is required to charge sales tax on the sale of taxable products unless those sales are considered exempt occasional sales or are otherwise exempt. There are certain standards that must be met in order for the sale of taxable products to qualify as exempt occasional sales. Beginning in 2017, these standards have been revised and are discussed in this article.

The occasional sales tax exemption applies to a nonprofit organization's sales if three standards are met.

Standard 1: The nonprofit organization is not engaged in a "trade or business".

A nonprofit organization is not engaged in a "trade or business" if either one of the following criteria are met:

- Its sales of taxable products occur on 75 days or less during the year. Prior to 2017, the number of days benchmark was 20 days or less.
- Its sales of taxable products total \$50,000 or less per year. Prior to 2017, the limitation was \$25,000 or less.

It is important to note that bingo receipts are not included when calculating the 75 day and the \$50,000 taxable sales tests however, the actual days of the bingo event are used to calculate the 75 day test however, the number of days where tickets were sold does not count.

Standard 2: Entertainment is not involved at an event where the nonprofit organization charges admission.

Entertainment is considered not involved at an event for which admission is charged if the total amount that all entertainers are paid \$10,000 or less. "Entertainment" is defined as the entertainment provided by all persons who are paid in the aggregate more than \$10,000 for performing, for reimbursement of expenses, or for prize money.

Keep in mind that mandatory or suggested donation charges to gain entrance to an event are considered admission.

Standard 3: The nonprofit organization does not have and is not required to have a seller's permit.

An organization is required to hold a seller's permit if taxable products are sold at an entertainment event in which admissions are charged even if the two standards above are met. If certain steps are taken, the organization may still qualify for the occasional sales exemption on days not covered by the permit. It is important to note that the days and sales from entertainment events involving admission for which a seller's permit was obtained are included with all sales for the purpose of the 75 day and the \$50,000 taxable sales test.