

IDAHO

#50 NONPROFIT GROUPS

An Educational Guide to Sales Tax in the State of Idaho

This brochure is intended to help nonprofit groups like 4-H understand the sales tax laws that apply to them. This information is based on the sales tax laws and rules in effect on September 1, 2006.

Are all nonprofit organizations exempt from sales tax?

No. Most nonprofit organizations are required to pay sales tax on goods they buy for their own use and collect tax when selling goods. Many organizations believe that, because they qualify for “tax exempt” status with the Internal Revenue Service, they are also exempt from sales tax obligations. However, this is not true. The IRS exemption applies only to income tax.

For 4-H Groups, what purchases are taxable?

Generally, you must pay sales tax on everything you buy that’s taxable under Idaho law.

Examples include:

- Supplies and equipment to be used by 4-H
- Goods you buy to donate on behalf of 4-H
- Items you buy to be raffled to benefit 4-H
- Prizes you buy to give away at 4-H events

What if the 4-H group plans to resell what we buy?

If you act as a seller, you must comply with the same rules that apply to all sellers in Idaho. To collect sales tax and pay it to the state, you must get a seller’s permit from the Tax Commission. There are two types of seller’s permits: permanent and temporary. You should get a permanent seller’s permit if you make sales regularly. You normally will be required to file monthly tax returns. However, if you owe less than \$600 tax per quarter, you can ask to file your returns quarterly, semi-annually, or annually.

You can apply for a permanent seller’s permit online at **business.idaho.gov** or complete the Idaho Business Registration form (available on the Web at **tax.idaho.gov** or at any of the Tax Commission offices) and submit it to the Tax Commission. If you don’t make

regular sales, you can pay the state the tax you collect by getting a temporary seller's permit. This permit is valid only for a specific event and is very easy to get. Just call your nearest Tax Commission office. Be sure to get your permit *before* making any sales.

If you are selling at a sponsored event such as a fair, you may be able to get a temporary permit from the promoter by completing Form ST-124, Idaho Sales Tax Declaration, Promoter-Sponsored Event. This will save you time. Or, you can contact the Tax Commission for your temporary permit.

What kinds of sales should 4-H tax?

- Sales of:
 - Any tangible personal property (candy, food, meals, drinks, T-shirts, calendars, etc.)
 - Subscriptions to magazines, newsletters, etc.
 - Printed material (maps, posters, pictures, books, etc.)
 - Items from concession stands
 - Souvenirs
 - Promotional items (club logo patches, buttons, pins, etc.)
 - Auctioned items
 - Goods sold at rummage sales and yard sales (There is an exemption for home yard sales held by private individuals, but it doesn't apply to yard sales held by organizations.)
- Fees for using a facility for a recreational purpose (renting a clubhouse for a dance, renting a gym for a basketball game, etc.)
- Admission charges and ticket sales (dinners, displays, carnivals, banquets, fund-raising events, etc.) See the next section.
- Receipts from vending machines (Special rules apply. Read Brochure #13-Vending Machines & Amusement Devices.)
- Lease or rental of tangible personal property
- Fixed admission fees and merchandise prices referred to as "donations"

Are all admission charges taxable?

No. Organizations that have nonprofit status under Internal Revenue Code Section 501(c)(3) or Section 527 are exempt from collecting sales tax on admission to events that meet the following criteria:

- The event is not primarily commercial or for recreation.
- The value of the entertainment is minimal compared to the admissions charge.
- The nonprofit organization paid sales tax when it made purchases for the event.

If we post a sign at the door saying “suggested donation of \$2,” is the donation taxable?

Yes. If you put a price on what you are selling, even if you call it a donation, it becomes taxable. Only if the sign says something like “donation accepted” with no amount mentioned, and people may attend without paying, can it truly be considered a donation and not subject to tax.

Do special rules apply to auctioned items?

Yes. If you follow the proper procedures, the auctioned item is only subject to tax on its fair market value. *For example*, if you sell a cake for \$100 and you could buy it at the store for \$10, tax applies only to the \$10 if you keep the proper records.

Post a sign by each of your auction items indicating its suggested market value. *For example*, the cake could display a sign saying “suggested retail value: \$10.” If you give the buyer an invoice, write “cake: \$10; tax \$.60 (if the tax rate is 6%); donation \$89.40.” Post the sale to your records in the same way.

If you don’t follow these procedures, you must charge tax on the full \$100.

NOTE: Donated services (such as house cleaning or lawn mowing) are not taxable auction items.

What kinds of transactions aren’t taxable?

- Club dues
- Charges for advertising space in publications
- Sales of raffle tickets
- Cash received as a “donation” (a free will offering)
- Car washes
- Competitor entry fees for races, tournaments, fishing derbies, rodeos, etc. (but any portion of the fee that is for the use of a recreational facility or equipment rental is taxable)
- Literature, audiocassettes, videotapes, CDs, etc., that are both published and sold by a 501(c)(3) nonprofit organization
- Fees charged for lessons or instruction
- Registration fees to attend conferences, speeches, seminars, etc. (but any portion of the fee that is for meals, dancing, or recreation is taxable)
- Fees for using a facility for non-recreational purposes such as educational programs
- Sales of animals by any 4-H or FFA club at a fair or the Western Idaho Spring Lamb Sale

What should we do when we buy items to resell?

If you have a permanent seller's permit, you can buy resale items tax-free by completing a form ST-101 for the vendor's records. If you don't have a seller's permit, you can either:

- Get a temporary seller's permit before you buy the goods, and give the vendor a form ST-101 so you can buy the items tax free, or
- Buy the goods before you get the permit and pay tax to the vendor. Then when you receive the temporary seller's permit, sell the items and collect tax on the sales price. You can subtract the tax you paid the vendor on the items you resold from the tax you owe the state when you complete your sales tax return.

If our sales price includes the sales tax, how do we determine the tax we owe?

You should bill the tax separately. However, if you don't, you can use the following formula to determine the amount of tax you owe:

If the tax rate is 6%:

Total \$ collected/1.06* = Taxable sales

Taxable sales X .06 = Sales tax collected

(*If the tax rate is 5%, use 1.05, etc.)

Example: A nonprofit group's concession sales total \$500. Tax was included in the sales price. If the tax rate is 6%, the sales tax collected is \$28.30.

$\$500/1.06 = \471.70

$\$471.70 \times 6\% = \28.30

For more information, contact:

* Idaho State Tax Commission: In the Boise area, 334-7660;

Toll free (800) 972-7660

* Hearing impaired: TDD (800) 377-3529

* Tax.idaho.gov

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission.