

Memo - 5/25/2017

Purpose

To determine how different states apply sales tax to purchases made by nonprofit organizations

Nonprofits and Sales Tax

Many nonprofit organizations can be potentially required to pay sales tax, but many states offer organizations meeting certain criteria opportunities for exemption, or alternatively, for reimbursement.

Rhode Island state law exempts certain nonprofit organizations from paying tax on their purchases. These include sales to hospitals, churches, orphanages and other exempt charitable and religious organizations; nonprofit hospitals and educational institutions, interest-free loan associations; organized sporting leagues and associations; bands for boys and girls under 19 years of age; certain vocational organizations; senior citizens' clubs exclusively composed of persons over 61 years; and parent-teacher associations. Each organization falling under these categories must file for and obtain an exemption certificate from the state tax administrator.¹

Many states which implement a sales tax have comparable policies where the nonprofit organization must apply for an exemption document, but the application method can vary. In Florida, all organizations wishing to qualify for a sales tax exemption must complete an Application for Consumer's Certificate of Exemption, which expires and must be renewed after 5 years.² Kansas and Illinois require a letter of request for each purchase, while states including Connecticut and Michigan only necessitate the purchaser to provide vendors with a form stating the purchaser is exempt. Wyoming only requires nonprofits to provide the state with a copy of the organization's IRS determination letter in order to receive an exemption approval.³

In North Carolina, nonprofits must pay sales tax. However, the state law provides qualified organizations (i.e. nonprofit hospitals, volunteer fire departments and emergency medical services, and other organizations exempt from income tax per 501[c][3])⁴ with a semiannual refund of sales tax paid on direct purchases of tangible property, digital property, and services for use in furthering their nonprofit mission.⁵

¹ Rhode Island G.L. Ch. 44-18-30(E), (OO), Reg. SU 88-48; SU 91-35,
<http://webserver.rilin.state.ri.us/Statutes/title44/44-18/44-18-30.htm>

² "Application for a Consumer's Certificate of Exemption Instructions," *Florida Department of Revenue*, accessed 24 May 2017, http://floridarevenue.com/Forms_library/current/dr5.pdf

³ <http://info.nationalcorp.com/blog/bid/133388/sales-and-use-tax-exemptions-for-nonprofits>

⁴ North Carolina G.S. 105-164-14

http://www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_105/GS_105-164.14.html

⁵ "State Taxation and Nonprofit Organizations," *North Carolina Department of Revenue*, accessed 24 May 2017 http://www.dor.state.nc.us/publications/nonprofit_booklet.pdf

States that offer overall sales tax exemptions	States that do not offer overall sales tax exemptions ⁶
Alabama	Arizona
Colorado	Arkansas
Connecticut	California
District of Columbia	Georgia
Florida	Idaho
Hawaii †	Indiana
Illinois	Louisiana
Indiana	Mississippi
Kansas	North Carolina
Kentucky	North Dakota
Maine	Oklahoma
Maryland	South Carolina
Massachusetts	South Dakota
Michigan	Washington
Minnesota	
Missouri	
Montana	
Nebraska	
Nevada	
New Jersey	
New Mexico †	
New York	
Ohio	
Pennsylvania	
Rhode Island	
Tennessee	
Texas	
Utah	
Vermont	
Virginia	
West Virginia	
Wisconsin	
Wyoming	

† Hawaii and New Mexico levy a gross receipts tax in lieu of a sales tax; in both cases nonprofits may apply for exemption

Note: Alaska, Delaware, Montana, New Hampshire, and Oregon do not have a state sales tax.

⁶ “Nonprofit Tax Exempt Status,” *Harbor Compliance*, last edited 17 September 2013, accessed 25 May 2017, <https://www.harborcompliance.com/information/nonprofit-tax-exempt-status>