

**CASBO WORKSHOP  
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**DEPARTMENT OF REVENUE  
SERVICES**

**SALES & USE TAX PRESENTATION**

**PETER SANTAGATTA**

**SALES AND USE TAX ISSUES  
CONCERNING NOT-FOR-PROFIT ORGANIZATIONS  
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# PURCHASES MADE BY QUALIFYING ORGANIZATIONS

Connecticut law provides for an exemption from Connecticut sales and use taxes for qualifying nonprofit organizations. A qualified nonprofit organization is:

- An organization that was issued a **Federal Determination Letter** of exemption under Section **501(c)(3) or (13)** of the Internal Revenue Code; **or**
- An organization with an **E-number** by the Department of Revenue Service (DRS) issued prior to July 1, 1995. (As of July 1, 1995, the Department no longer issues exemption permits but it will honor permits issued prior to July 1, 1995 as long as the organization remains exempt from federal income tax.)

A “qualifying nonprofit organization” may purchase supplies, services and equipment without paying Connecticut sales and use taxes if the following conditions are met:

- the purchases are made by the organization; and
- are exclusively for the purposes for which the organization was established; and
- are paid for with organization funds.

## **PROCEDURE FOR MAKING EXEMPT PURCHASES**

To claim exemption for the purchase of goods or taxable services, the qualifying organization must:

1. Complete **CERT-119**, *Certificate for Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations*.
2. Attach to the **CERT-119**:
  - a copy its federal Determination Letter or group Determination Letter issued by the Internal Revenue Service; **or**
  - a copy of the E-number Exemption Permit issued by the department of Revenue Services prior to July 1, 1995.
3. Pay the retailer by check drawn from the qualifying organization’s own account; **or** credit card issued in the name of the qualifying organization.

## SPECIAL RULES FOR PURCHASES OF MEALS AND LODGING

### **CERT-112 REQUIREMENTS:**

If the qualifying exempt organization will be purchasing the meals or lodging with its own funds and will not charge or be reimbursed by those attending the event, prior approval from the Department of Revenue Services is required.

**To Request Preapproval to Purchase Meals or Lodging Exempt From Sales and Use Taxes:** Exempt entities must establish that their purchases of meals or lodging qualify for exemption from sales and use taxes in order to purchase them tax exempt.

The following three conditions must be met for purchases of meals or lodging to qualify for exemption from sales and use taxes:

1. The retailer of meals or lodging directly invoices and charges the exempt entity for the meals or lodging;
2. The exempt entity directly pays the retailer with a check drawn on its own account or with a credit card issued in its own name (not in the name of its members, employees or officers). Cash payments do not satisfy this condition, regardless of the cost of the meals or lodging;  
**and**
3. The exempt entity is not reimbursed, in whole or in part, by donation or otherwise, for its payment of the meals or lodging by those consuming the meals or lodging. (See also *Five One-Day Fundraising or Social Events Exemption*.)

Exempt entities must submit the following information to DRS at least **three weeks** before an event to request preapproval to purchase meals or lodging tax exempt at the specific event.

1. A properly completed **CERT-112**, *Exempt Purchases of Meals or Lodging by Exempt Entities*, signed by an authorized representative of the entity;
2. A copy of the flyer, announcement, or other promotional literature about the event; and

3. Proof of exemption as follows:

- If the purchaser is an exempt organization, it must either attach a copy of its I.R.C. §501(c)(3) or (13) determination letter issued by the U.S. Treasury Department or, if it was issued an exemption permit by DRS, enter its exemption permit number on CERT-112.
- If the purchaser is a qualifying governmental entity, no attachment is required.
- If the purchaser is a nonprofit charitable hospital, nonprofit nursing home, nonprofit rest home, or nonprofit residential care home, it must attach a copy of a valid and active license issued by the Department of Public Health under Chapter 368v of the Connecticut General Statutes **and** either a copy of its I.R.C. §501(c)(3) or (4) determination letter issued by the U.S. Treasury Department or, if it was issued an exemption permit by DRS, enter its exemption permit number on CERT-112.

**CERT-112** may not be used for the purchase of meals or lodging not meeting all three conditions stated above. **CERT-112** will not be approved if the exempt entity is reimbursed in whole or in part for all meals or lodging at the same event. Nonqualifying purchases include fund raisers where those who attend are charged or are required to make any payment and seminars or conferences where meals or lodging charges are included in the conference or seminar registration fee. However, these events may qualify for the five one-day fundraising or social events exemption under Conn. Gen. Stat. §12-412(94), described below.

**CERT-119 REQUIREMENTS:**

If the organization is purchasing meals but will charge those who are attending the event (either by selling tickets or collecting reimbursement from those attending the event), do **not** complete CERT-112. Instead, follow the instructions for the *Five One-Day Fundraising or Social Events Exemption*, described later in this document.

The charge for lodging (hotel or motel) is not exempt from tax if the organization is being reimbursed in whole or in part by the person(s) staying in the hotel or motel rooms.

## SALES MADE BY NONPROFIT ORGANIZATIONS

Nonprofit organizations that make sales of goods or services are generally required to obtain a Connecticut *Sales and Use Tax Permit* and to collect sales tax on those sales.

There are exceptions to the general rule.

### **SALES MADE BY ELEEMOSYNARY ORGANIZATIONS AND ELEMENTARY AND SECONDARY SCHOOLS**

**Sales of Items for \$20 or Less:** Conn. Gen. Stat. §12-412(26) provides a sales and use tax exemption for sales of items for \$20 or less made by Connecticut eleemosynary organizations formed to sponsor and support youth activities when the sales are made for purposes of these youth activities. This section also provides a sales and use tax exemption for sales of items for \$20 or less by any accredited elementary or secondary school when the sales are made for purposes of the school or of organized activities of the students enrolled in the school. The exemption applies to both sales of tangible personal property and taxable services. There is no limit on the number of sales that may be made under this exemption.

**Eleemosynary Organizations Defined:** Eleemosynary organizations that qualify for exemption under Conn. Gen. Stat. §12-412(26) are nonprofit organizations or charitable organizations, or both, that are formed to sponsor and support youth activities. An organization's documents, such as its articles of incorporation, articles of association, or bylaws, must provide that the organization's primary purpose is to sponsor and support youth activities.

Qualifying organizations include, but are not limited to: Boy and Girl Scouts, parent-teacher organizations, boys' and girls' clubs, Little League, Pee Wee football, 4-H clubs, Campfire Girls, and Junior Achievement.

**Sales and Use Tax Registration Requirements:** Eleemosynary organizations, accredited elementary schools, and secondary schools that exclusively sell items for \$20 or less and qualify for exemption under Conn. Gen. Stat. §12-412(26) are not required to register for sales and use taxes.

Eleemosynary organizations, elementary schools, and secondary schools are not required to register for sales and use taxes if the organization or school:

- Exclusively sells items costing \$20 or less; or
- Makes sales of tangible personal property, including meals, at any of five fundraising or social events of one day's duration per calendar year. (See *Five One-Day Fundraising or Social Events Exemption*.)

**Purchasing Items To Be Resold Tax-Exempt for \$20 or Less:**

Eleemosynary organizations and accredited elementary and secondary schools that are not registered and are not required to be registered for sales and use taxes may issue **CERT-136**, *Purchases of Items by Eleemosynary Organizations and Schools That Will Be Resold Tax-Exempt for \$20 or Less*, to retailers to purchase items without payment of tax that they intend to resell tax-exempt for \$20 or less. The organizations or schools may issue a completed **CERT-136** for a single purchase or for a continuing line of purchases.

Eleemosynary organizations and accredited elementary and secondary schools that are registered with DRS as retailers for collection of sales and use taxes may not use **CERT-136**. These organizations may issue a resale certificate to their suppliers to purchase items for resale without payment of tax, including those items they intend to resell tax-exempt for \$20 or less. Resale certificates may be issued for a single purchase or for a continuing line of purchases.

**Filing Requirements for Eleemosynary Organizations and Elementary and Secondary Schools:** Eleemosynary organizations, elementary schools, and secondary schools that are registered as retailers must file sales and use tax returns. Organizations and schools must file sales and use tax returns on a monthly basis, except that if an organization's or school's total tax liability for the twelve-month period that ended on the preceding September 30 was less than \$4,000, it may file quarterly returns. If an organization or school's total tax liability for the twelve-month period that ended on the preceding September 30 was less than \$1,000, it may file an annual return.

## FIVE ONE-DAY FUNDRAISING OR SOCIAL EVENTS EXEMPTION

Effective June 1, 1997, the General Assembly exempted sales of tangible personal property by nonprofit organizations at bazaars, fairs, picnics, tag sales or similar events to the extent of five such events of a day's duration held during any calendar year.

Sales qualifying for this exemption **do not include** sales at retail establishments operated by nonprofit organizations, such as thrift stores or gift shops. However, nonprofit organizations that operate such retail establishments, or are already registered with the Department to collect sales and use taxes, **are not prohibited** from using this exemption for their individual fundraising or social events.

The exemption from sales and use taxes for sales at fundraising or social events described in this Special Notice does **not** apply to items given away or raffled off by nonprofit organizations.

The exemption applies only to sales and use taxes. It does not apply to admissions, cabaret and dues tax or any other tax.

**DEFINITIONS AND EXPLANATIONS OF TERMS:** For purposes of this Special Notice and the exemption described herein, the following definitions and explanations of terms apply:

**"Tangible personal property."** Because the term "tangible personal property" used in the exemption is not qualified, **all** items of tangible personal property, including automobiles, vessels, snowmobiles and aircraft, are exempt when sold or leased by nonprofit organizations at fundraising or social events, despite any other provisions of Chapter 219 or the regulations thereunder. Sales of meals and alcoholic beverages are also exempt. Sales of room occupancy and taxable enumerated services are not exempt.

**"Nonprofit organizations."** Nonprofit organizations include any organization, whether or not incorporated, that is not organized for profit, whose organizing documents contain a provision that no officer, member or employee of the organization will receive or may ever receive any pecuniary

profit from the operation of the organization, except reasonable compensation for services in carrying out the purposes of the organization.

Nonprofit organizations also include the United States and its agencies, the State of Connecticut and any Connecticut political subdivision and their respective agencies, and any organization that Connecticut is prohibited from taxing under the constitution or laws of the United States.

**"Events."** The list of events in the exemption illustrates the types of fundraising or social events usually held by nonprofit organizations, but is not meant to be all-inclusive. Besides bazaars, fairs, picnics and tag sales, events that may qualify for the exemption include but are not limited to telethons, auctions, church suppers, bake sales, dances and casino nights.

Fundraising or social events do not include sales of items of tangible personal property to specific purchasers. For example, if a church sells an automobile to a member of its clergy, the sale does not qualify for the exemption.

**"A day's duration."** A day's duration means either (1) any uninterrupted period of 24 hours or less, whether or not it spans more than one calendar day, or (2) any period or periods that begin and end within a single calendar day (between midnight and midnight).

**"Five events of a day's duration."** This term means any total of five days of events of a day's duration, even if the events are held on consecutive days, and even if the events are considered a single fundraising or social event.

**"A calendar year."** A calendar year begins on January 1 and ends on December 31. Unused exempt events may not be carried over from one calendar year to the next.

**EXAMPLE 1:** A nonprofit organization holds a casino night that begins at 6:00 p.m. on Thursday and ends at 2:00 a.m. on Friday. This is one "event of a day's duration" at which sales of tangible personal property are exempt, because it is an uninterrupted period of 24 hours or less.

**EXAMPLE 2:** A nonprofit organization holds a telethon that begins at 6:00 p.m. on Friday and runs continuously until 6:00 p.m. on the next Monday.

This is three "events of a day's duration" (three uninterrupted periods of 24 hours) at which sales of tangible personal property are exempt.

**EXAMPLE 3:** A nonprofit organization holds a bazaar that runs from 8:00 a.m. to 1:00 p.m. and from 4:00 p.m. to 8:00 p.m. on Friday. The bazaar then runs from 8:00 a.m. to noon on Saturday. This is two "events of a day's duration" at which sales of tangible personal property are exempt. The first day's duration is the two periods within the calendar day on Friday, and the second day's duration is the period during the calendar day on Saturday.

**EXAMPLE 4:** A nonprofit organization holds a tag sale of one day's duration. Later in the calendar year, the same organization holds a telethon of three days' duration. Later in the same calendar year, the organization holds a fair of seven days' duration. Sales of tangible personal property at the one-day tag sale and the three-day telethon are exempt, and sales on one day of the seven-day fair are exempt. Sales on the other six days of the fair and at any subsequent events held by the organization during the same calendar year are not exempt, because the organization reached its annual allotment of five exempt events on the first day of the seven-day fair.

However, the organization may elect not to use its fifth exempt day during the fair, and may reserve that day for another event later in the calendar year. Alternatively, the organization may use its five exempt days in any other combination (such as during only the last five days of the seven-day fair, or nonconsecutively).

## **PURCHASES OF ITEMS TO BE SOLD AT EVENTS BY NONPROFIT ORGANIZATIONS:**

### **Qualifying 501(c)(3) or (13) Organizations:**

An organization described in section 501(c)(3) or (13) of the Internal Revenue Code that holds a valid determination letter from the United States Treasury Department, or any organization holding a valid exemption permit issued by the Commissioner of Revenue Services before July 1, 1995, may purchase items it intends to resell at fundraising or social events exempt from sales and use taxes under Conn. Gen. Stat. §12-412(8) using **CERT-119**, *Certificate for Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations*. Please note that **CERT-119**, which previously could not be used for purchases of items of tangible personal property or meals to be resold, will be modified to allow such purchases

when those items will be resold under the fundraising or social event exemption.

**Qualifying Governmental Organizations:**

The United States and its agencies, the State of Connecticut and any Connecticut political subdivision and their respective agencies may purchase items they intend to resell at fundraising or social events exempt from sales and use taxes under Conn. Gen. Stat. §12-412(1), using **CERT-134**, *Exempt Purchases by Qualifying Governmental Agencies*. Any organization that Connecticut is prohibited from taxing under the constitution or laws of the United States may purchase items it intends to resell at fundraising or social events exempt from sales and use taxes under Conn. Gen. Stat. §12-412(2), using **CERT-134**.

**Other Nonprofit Organizations:**

If a nonprofit organization is registered as a retailer with the Department, it may purchase items of tangible personal property to be sold at fundraising or social events on a resale basis under the provisions of Conn. Gen. Stat. §12-410, using the **Connecticut Resale Certificate**. The organization may not use the items other than for retention, demonstration or display while holding them for sale. When the items are sold at the fundraising or social events under the exemption described herein, they will be exempt from sales and use taxes. To purchase items using a resale certificate, a nonprofit organization must be registered as a retailer with the Department. (See *Registration of Nonprofit Organizations*, below.)

**REGISTRATION OF NONPROFIT ORGANIZATIONS:**

A nonprofit organization whose purchases are exempt under Conn. Gen. Stat. §12-412(1), (2) or (8) that is not already registered as a retailer with the Department of Revenue Services need not register to avail itself of the exemption for sales at fundraising or social events. However, any organization that is not exempt from sales and use taxes on its purchases under Conn. Gen. Stat. §12-412(1), (2) or (8) **must** be registered as a retailer if it wishes to purchase items it will sell at fundraising or social events without paying tax on such items.

A nonprofit organization may register with the Department of Revenue Services as a retailer by filing **Form REG-1**, *Business Taxes Registration*

*Application.* A nonprofit organization that is so registered must file sales and use tax returns, even if all of its sales are exempt.

**FILING REQUIREMENTS:** Sales and use tax returns must be filed monthly, except that if an organization's total tax liability for the twelve-month period that ended on the preceding September 30 was less than \$4,000 it may file quarterly returns. If an organization's total tax liability for the twelve-month period that ended on the preceding September 30 was less than \$1,000 it may file an annual return.

**SALES BY AUCTIONEERS AND OTHER VENDORS:** Usually, auctioneers are considered retailers of tangible personal property whether or not the auctioneer owns the property being sold, and must charge sales and use taxes on their gross receipts; see Conn. Gen. Stat. §12-407(12)(a).

Therefore, an **auctioneer who is paid** by a nonprofit organization to conduct an auction **must** charge sales and use taxes on all sales, even if the auction is a fundraising or social event. The auctioneer is a retailer separate from the nonprofit organization, and the exemption does not apply to the auctioneer's sales.

However, if an **auctioneer volunteers** his or her services to a nonprofit organization at no charge, sales by the auctioneer will be considered sales by the nonprofit organization itself, and will qualify for the exemption.

Sales at fundraising or social events by retailers other than nonprofit organizations also do not qualify for this exemption. For example, sales of food at a carnival by a local restaurant or retailer or sales of merchandise by an itinerant vendor at a craft fair are taxable, even if the carnival or fair is held or sponsored by a nonprofit organization.

## RAFFLE / PROMOTIONAL ITEMS

Organizations that purchase promotional items they intend to give away in appreciation for donations, or use as raffle prizes, are the consumers of such items. Organizations that are exempt from tax on their purchases under Conn. Gen. Stat. §12-412(1), (2), (8) or another statutory provision, may purchase such items without paying tax by using the appropriate exemption certificate. Organizations that are not exempt from tax on their purchases under a specific statutory provision must pay sales or use tax on promotional items they intend to give away in appreciation for donations, or use as raffle prizes, when they purchase such items. A resale certificate may not be used under such circumstances.

Charitable donations in exchange for which promotional items are given, and amounts paid for raffle tickets, are not consideration for the items given away by the organization, and no sales or use taxes apply to such donations or raffle ticket payments.

### **SPECIAL PROCEDURES FOR A RAFFLE OF AN AUTOMOBILE:**

1. The exempt organization must present a **CERT-119** to the car dealer.
2. The dealer will issue a "*Certificate of Origin*" to the exempt organization.
3. The exempt organization will assign the "*Certificate of Origin*" to the winner; and
4. A statement on the exempt organization's letterhead to the winner, stating that "Jane Doe is the winner of the raffle."
5. The winner must present both documents to the Department of Motor Vehicles when registering the car.

If the above procedures are followed, there will be no sales or use tax due from either the exempt organization or the winner.

## COMMON QUESTIONS

**Sales at Social Events or Fundraising Events by Elementary and Secondary Schools:** The following are questions and answers about sales of tangible personal property by eleemosynary organizations and elementary and secondary schools at up to five social or fundraising events of one day's duration during any calendar year permitted to be exempt from tax under Conn. Gen. Stat. §12-412(94).

**Question 1:** Does each school in a Connecticut municipality's public school system receive the benefit of the five one-day social or fundraising exemption, or does the entire school system receive only five social or fundraising events of one-day's duration per year under the exemption?

**Answer:** Each individual school in a school system qualifies for five fundraising or social events per year. (This applies as well to individual schools within a single university, such as a School of Law, School of Medicine, School of Social Work, etc.)

**Question 2:** Do proms or senior dinners qualify for any of the five one-day fundraising or social events per year exemption?

**Answer:** Yes. Proms and school dinners are social events that qualify for any of the five social or fundraising events per year exemption.

**Question 3:** Do yearbook sales by elementary or secondary schools qualify for any of the five one-day fundraising or social events per year exemption?

**Answer:** No. Yearbook sales do not fall within the exemption for five one-day fundraising or social events. Most schools accept orders for yearbooks over a period of time, often week or months. The exemption in Conn. Gen. Stat. §12-412(94) applies to sales made at events, not to the ongoing sale of single items such as yearbooks.

Elementary and secondary schools may purchase yearbooks tax-exempt using either **CERT-119** or **CERT-134** with money from their student activity funds, then give the yearbooks to the students. However, if students make direct payments to the student activity funds that are specifically designated for the yearbooks, these are payments for the yearbooks and the school is selling the yearbooks to the students. If the price of the yearbooks

is \$20 or less, the sale is exempt under Conn. Gen. Stat. §12-412(26). If the price of the yearbooks is over \$20, the sale is subject to sales and use tax.

**Question 4:** Do Parent Teacher Associations (PTAs) and Parent Teacher Organizations (PTOs) generally fall under the elementary school or secondary school's exemption or are they separate entities?

**Answer:** PTAs and PTOs are separate entities from the schools. They are entitled to exemption from federal income tax under I.R.C. §501(c)(3). If a PTA or PTO receives a determination letter from the IRS stating that it qualifies under I.R.C. §501(c)(3), then it is entitled to make tax-exempt purchases using **CERT-119**. Whether or not they have I.R.C. §501(c)(3) recognition from the IRS, PTAs and PTOs are organizations formed to support youth activities and may sell items costing not more than \$20 without charging sales tax.

PTAs and PTOs also qualify for the five one-day fundraising or social events per year exemption under Conn. Gen. Stat. §12-412(94).

# APPENDIX

- CERT-112**      *Certificate for Exempt Purchases of Meals or Lodging by Exempt Entities*
- CERT-119**      *Certificate for Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations*
- CERT-122**      *Refund of Tax Paid on Purchases of Meals or Lodging by Exempt Entities*
- CERT-123**      *Blanket Certificate for Exempt Qualifying Purchases of Meals or Lodging by an Exempt Entity*
- CERT-134**      *Sales and Use Taxes Exemption for Purchases by Qualifying Governmental Agencies*
- CERT-136**      *Purchases of Items by Eleemosynary Organizations and Schools That Will be Resold Tax-Exempt*