



Washington State Department of Revenue

Nonprofit Organizations

Ken Krous, Taxpayer Services

Discussion Topics

- Overview – nonprofits and tax
- Specific tax exemptions for nonprofits
- Recent law change from resale certificates to reseller permits



Taxpayer Rights

- Timely, fair, and equitable treatment with dignity and respect
- Accurate written information on reporting instructions, appeal procedures, refund claims, and reasons for assessment
- Confidentiality of financial and business information

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Taxpayer Responsibilities

- Know your tax reporting obligations and seek instructions when you are uncertain
- Keep accurate and complete business records
- File returns and pay your taxes in a timely manner

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Washington's Tax Structure

- No income tax
- Property tax
- Excise tax
 - Business and occupation (B&O) tax
 - Retail sales tax
 - Use tax



Nonprofit Organizations

- Generally taxed like any other business
- Must collect sales tax on retail sales (except sales as part of a qualifying fundraising activity)
- Must pay sales tax or use tax on all goods and retail services purchased as consumers
- Unless the law provides a specific exemption



Registering with DOR

Must register with DOR if:

- ❑ Engage in any activity that requires you to collect sales tax; or
- ❑ Receive \$12,000 or more annual gross receipts from sales or services subject to B&O tax

Note: Not required to register if you **only conduct tax exempt fundraising activities**



Registering with DOR

- Complete *Master Business Application*
 - In addition to registering with Secretary of State
- Your Unified Business Identifier (UBI) number
 - Becomes your tax reporting/tax registration #



Tax Exemptions for Nonprofits

The law provides limited tax exemptions for nonprofits:

- Income earned by an “Adult family home” - B&O tax (RCW 82.04.327)
- Camp/conference centers property tax exempt – B&O/sales tax (RCWs 82.04.363 and 82.08.830)
 - Rooms, parking, license to use real property
 - Food & meals
 - Books, tapes, etc. not available to general public



Tax Exemptions for Nonprofits

- Child care referral/resource services - B&O tax (RCW 82.04.3395)
- Specialized credit/debt services - B&O tax (RCW 82.04.368)
- Daycare by property tax exempt churches –B&O (RCW 82.04.339)
- Student loan services (RCW 82.04.367)
- Health & Social Welfare organization receiving Government payments (RCW82.04.4297)



Tax Exemptions for Nonprofits

General exemptions include:

- **Contributions** (grants, donations, endowments, gifts, awards and any other transfer of money/property) but only when the donor receives no significant goods, services or benefits in return. (RCW 82.04.4282)

- **Certain fundraising activities** (RCW 82.04.3651, RCW 82.08.02573)



Fundraising Exemption

- Organizations exempt from federal tax under Section 501(c)(3), (4) or (10);
- Nonprofit organizations that would qualify for tax exemption under these codes except that it is not organized as a nonprofit corporation; or
- Nonprofit organizations meeting all of the following criteria:
 1. Members, stockholders, officers, directors, or trustees of the organization do not receive any part of the organizations' s gross income, except as payment for services rendered,
 2. Compensation received by any person for services rendered does not exceed a reasonable amount, and
 3. Activities of the organization do not include a substantial amount of political activity.

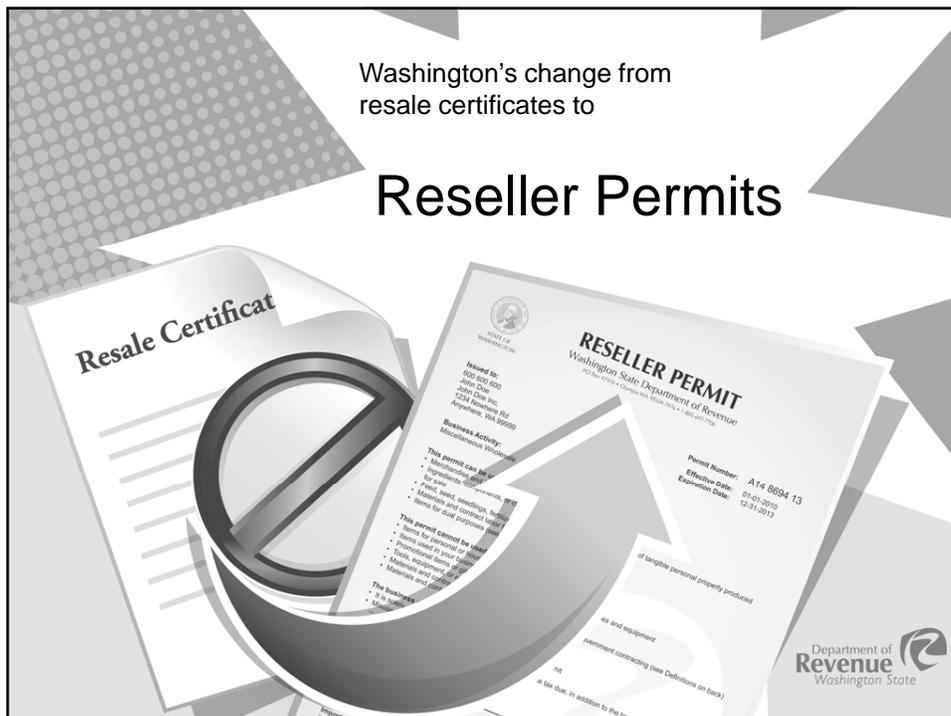
Qualifying Fundraising Activities

- Directly soliciting money or other property, or selling goods or services to further the nonprofit organization's goals
- Does not include operating a regular place of business
 - Bookstore, gift shop do not qualify
 - Food booth at fair for 2 wks/yr qualifies



Washington's change from
resale certificates to

Reseller Permits



The transition to reseller permits

- Why the change?
- How to get a permit
- How to use a permit
- Resources



Senate Bill 6173

- Eliminated resale certificates
- Effective January 1, 2010, businesses may no longer accept, honor or use resale certificates
- Must use a permit issued by DOR
- Permits are free
- Issued only to businesses that make wholesale purchases



Why the change?

Misuse of self-issued resale certificates costs the state over \$100 million dollars in lost revenue each year

- Anyone can download the form, fill it out and make purchases without paying sales tax
- Some don't know the law and use it to buy everything for their business/organization



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Washington State

How is the reseller permit different?

- Changes process from “an honor system with audits” to a managed system with oversight
- Reseller permits: issued by the Department to qualifying businesses
- Permits can be verified online (*available 1/1/2010*)
- The Department will continue to examine wholesale activities during audits

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Revenue

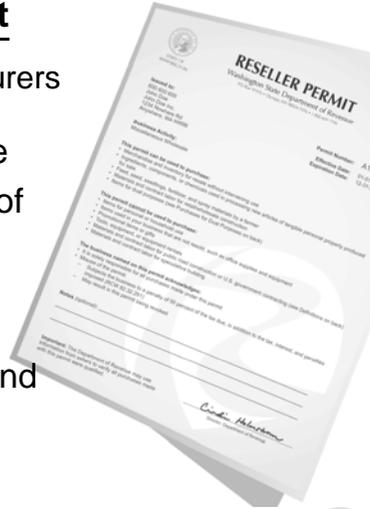
Eligible for a reseller permit

Retailers, Wholesalers, Manufacturers

- ✓ Actively reporting income
- ✓ No documented misuse of resale certificates

Nonprofit Organizations

- ✓ Engaging in qualifying fund raising activities



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Apply for a permit

Get an application:

- Online at dor.wa.gov
- Call 1-800-647-7706
- Apply online through "My Account"

please allow up to 60 days



Department of
Revenue

Required information

Application requires:

- Tax registration number
- Description of activity
- Description of items to be purchased




Application for a Washington State Reseller Permit
Reset This Form
RSP APP

UDI Tax Registration Number:

Submit this form to apply for a reseller permit. Reseller permits are free and are used to make qualifying purchases for resale without paying sales tax. This form must be filled out completely; incomplete applications will be denied. The Department will notify you within 60 days, by mail to the address on record, whether your application is approved or denied.

Contact Information

Business Name: _____
 E-mail Address: _____ Phone Number: _____

Business Description

Check the box that describes your primary business activity (choose one only):

Retail Wholesale Service & Other Activities
 Manufacturing Construction Farming

Description of business activity: _____

 List the types of materials/products you will purchase with this permit: _____

Construction Contractors and Speculative Builders (more information on back)

Provide the total cost of all materials and contract labor purchased during the last 12 months for Retail/Wholesale Construction activity, Public Road Construction, Speculative Building, and U.S. Government Contracting. (New businesses please estimate material and contract labor costs for the 12 month period the permit will be valid.)

\$ _____

What percentage of this total was for materials and contract labor purchased for your Retail/Wholesale construction activity? (New Businesses please estimate.) % _____

I have a current L&I contractor number. This number is: _____

Check this box if your materials and contract labor costs for Retail/Wholesale construction are less than 25 percent and you are attaching additional information explaining why you need a reseller permit.

I certify that this application is accurate and complete. I understand that misuse of a reseller permit subjects my business to a penalty of 50 percent of the tax due, in addition to the tax, interest, and any other penalties imposed.

Name (please print): _____ Title: _____
 Signature: _____ Date: _____

Mail or fax completed application to:
 Department of Revenue
 Taxpayer Account Administration
 PO Box 47476
 Olympia, WA 98504-7476
 Fax: (360) 596-6527

For Department of Revenue Use Only

REV 01 0116 084999





RESELLER PERMIT

Washington State Department of Revenue
For the 2010-2011 Budget Year

<p>Issued to: 600 600 600 John Doe John Doe Inc. 1234 Nowhere Rd Anywhere, WA 99999</p>	<p>Permit Number: A14 8694 13 Effective Date: 01-01-2010 Expiration Date: 12-31-2013</p>
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Business Activity:
Miscellaneous Wholesale

This permit can be used to purchase:

- Merchandise and inventory for resale without intervening use
- Ingredients, components, or chemicals used in processing new articles of tangible personal property produced for sale
- Feed, seed, seedlings, fertilizer, and spray materials by a farmer
- Materials and contract labor for retail/wholesale construction
- Items for dual purposes (see Purchases for Dual Purposes on back)

This permit cannot be used to purchase:

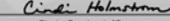
- Items for personal or household use
- Items used in your business that are not resold, such as office supplies and equipment
- Promotional items or gifts
- Tools, equipment, or equipment rentals
- Materials and contract labor for public road construction or U.S. government contracting (see Definitions on back)
- Materials and contract labor for speculative building

The business named on this permit acknowledges:

- It is solely responsible for all purchases made under this permit
- Misuse of the permit:
 - Subjects the business to a penalty of 50 percent of the tax due, in addition to the tax, interest, and penalties imposed (RCW 82.32.291)
 - May result in this permit being revoked

Notes (optional): _____

Important: The Department of Revenue may use information from sellers to verify all purchases made with this permit were qualified.


 Cindi Holstrom
Director, Department of Revenue



Reseller: Keep this original permit on file. Provide copies to sellers from which you make purchases.

Use the permit to buy

- Merchandise & inventory that you sell
- Ingredients, components, or chemicals used to process new products for sale
- Materials and contract labor for retail/wholesale construction projects
- Feed, seed, fertilizer, and pesticides (farmers only)







***Don't* use permit to buy**

- Items for personal or household use
- Items for business use (office supplies/equipment, furniture)
- Promotional items or gifts
- Tools, equipment, or equipment rentals
- Materials and contract labor for speculative construction projects, federal government projects or public road construction



What if I don't qualify for a permit to buy on occasion buy goods to resell?

- Pay sales tax on your purchases and
- Recover the tax you paid on qualifying purchases
 - ✓ Take a "Taxable Amount for Tax Paid at Source" deduction on your excise tax return, or
 - ✓ Request a refund from the Department



Use Tax

- Companion to sales tax on goods acquired for use in Washington
- When sales tax is not paid, use tax is due
- Generally, the buyer must pay directly to Department of Revenue
- Value is taxable amount, including delivery costs
- Rates same as sales tax, based on location of first use in Washington

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Use Tax Examples

- Purchases from out-of-state vendors
- Furniture, fixtures and equipment that are purchased with an existing business
- Equipment used on construction jobs

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Use Tax

Exemptions, Credits & Exclusions

- Trade-ins
- Credit for sales or use tax paid in another state
- Donations to nonprofits
- Personal affects of new residents
 - Furniture/household goods
 - Automobiles
 - Clothing

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Additional Assistance

- 12 local office locations
- Washington State Department of Revenue
Taxpayer Information &
Education Section
PO Box 47478
Olympia, WA 98504-7478

1-800-647-7706

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Web Site: dor.wa.gov

- Overview of Washington taxes
- Electronic filing (E-file)
- Tax Rate Lookup Tool (GIS)
- State business records database
- Unclaimed Property database
- Taxpedia
- Search publications, rules and laws



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More information

Web: dor.wa.gov

Phone: 1-800-647-7706

E-mail: communications@dor.wa.gov

You may also request a **written ruling** or contact us at:

Department of Revenue
Taxpayer Services
PO Box 47478
Olympia, WA 98504-7478



Nonprofit Organizations

Questions?

