

Nonprofit Organizations

Washington State Department of Revenue

Ken Krous, Taxpayer Services



*"Working together to
fund Washington's future"*



Discussion Topics

- Overview – nonprofits and tax
- Specific tax exemptions for nonprofits
- Reseller permits
- Use Tax

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

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

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 82.04.365 I, 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
- There is a limited use tax exemption for any article of tangible personal property, valued up to \$10,000, purchased or won as a prize in a game of chance from a nonprofit organization or library as part of a qualifying tax-exempt fundraising activity.
- Does not include operating a regular place of business
 - Bookstore, gift shop do not qualify
 - Food booth at fair for 2 wks/yr qualifies

Tax-exempt Fundraising Examples

- A nonprofit 501(c)(3) organization operates a food booth for five days each July at the local community fair. The funds benefit the organization's scholarship fund.
- A nonprofit youth organization raises funds by selling tee shirts door to door for 3 weeks. The money is used to sponsor after school recreation youth programs in the community.
- A school PTO holds an annual dinner/auction to raise money for new playground equipment at the school.
- A church sponsors a spaghetti feed held in their basement. Proceeds are donated to assist in providing relief to natural disaster victims.

Washington's change from
resale certificates to

Reseller Permits

Resale Certificate



STATE OF
WASHINGTON

RESELLER PERMIT

Washington State Department of Revenue
PO Box 47476 • Olympia, WA 98504-7476 • 1-800-647-7708

Issued to:
600 600 600
John Doe
John Doe Inc.
1234 Nowhere Rd
Anywhere, WA 99999

Business Activity:
Miscellaneous Wholesale

This permit can be used for:

- Merchandise and
- Ingredients, components, or
- Feed, seed, seedlings, fertiliz
- Materials and contract labor f
- Items for dual purposes (see

This permit cannot be used for:

- Items for personal or hous
- Items used in your busin
- Promotional items or gif
- Tools, equipment, or e
- Materials and contr

The business:

- It is solely
- Misuse

Permit Number: A14 8694 13
Effective Date: 01-01-2010
Expiration Date: 12-31-2013

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



Apply for a permit

Get an application:

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

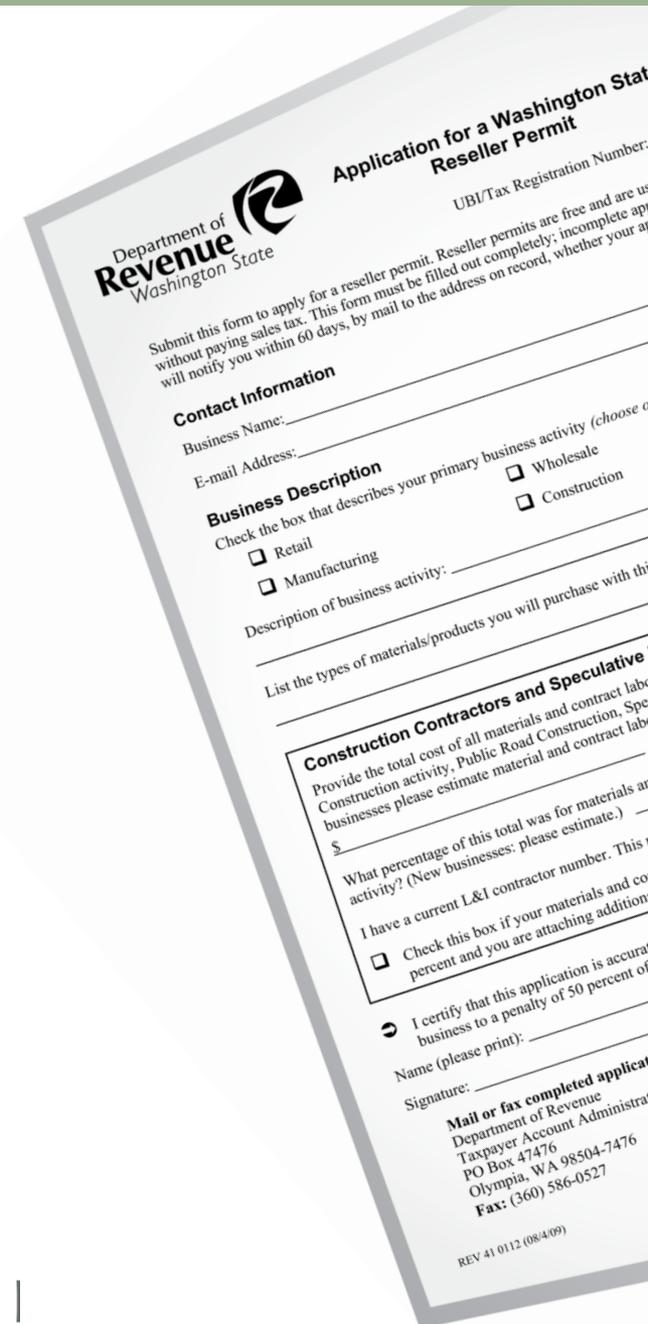
please allow up to 60
days



Required information

Application requires:

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



Department of Revenue
Washington State

Application for a Washington State Reseller Permit

UBI/Tax Registration Number: _____

Submit this form to apply for a reseller permit. Reseller permits are free and are used without paying sales tax. This form must be filled out completely; incomplete applications will notify you within 60 days, by mail to the address on record, whether your application is approved or not.

Contact Information

Business Name: _____

E-mail Address: _____

Business Description

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

Retail Wholesale

Manufacturing Construction

Description of business activity: _____

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

Construction Contractors and Speculative Contractors

Provide the total cost of all materials and contract labor for all construction activity, Public Road Construction, Speculative Construction, and other construction activity. (New businesses please estimate material and contract labor.) _____

What percentage of this total was for materials and contract labor? (New businesses: please estimate.) _____

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

Check this box if your materials and contract labor cost is less than 50 percent and you are attaching additional information.

I certify that this application is accurate and complete. Failure to provide accurate information may result in a business to a penalty of 50 percent of the tax due.

Name (please print): _____

Signature: _____

Mail or fax completed application to:
Department of Revenue
Taxpayer Account Administration
PO Box 47476
Olympia, WA 98504-7476
Fax: (360) 586-0527

REV 41 0112 (08/4/09)



STATE OF
WASHINGTON

RESELLER PERMIT

Washington State Department of Revenue

PO Box 47476 • Olympia, WA 98504-7476 • 1-800-647-7706

Issued to:

600 600 600
John Doe
John Doe Inc.
1234 Nowhere Rd
Anywhere, WA 99999

Permit Number: A14 8694 13

Effective Date: 01-01-2010

Expiration Date: 12-31-2013

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 Holmstrom

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 but 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



Department of Revenue
Application for Refund or Credit

Important: Applications not fully completed or received without supporting documentation will not be accepted.

| | | |
|---|-------------------------|----------------------|
| Tax Registration Number | Period covered by claim | Total Refund Claimed |
| Name of Claimant | Address | |
| City | State | |
| Name of Representative (attach a Confidential Tax Information Authorization form if filing on behalf of claimant) | State | Telephone Number |
| Address | City | Zip Code |
| State | Telephone Number | Zip Code |

Provide a full explanation on which your claim is based. Use additional sheets if necessary and send all documents necessary to properly substantiate your claim.

Subject to penalty of perjury, I declare that the information provided is true, correct and complete. I do hereby make application for refund or credit, pursuant to RCW 62.32.080, and certify that all taxes for which this claim is filed have been paid.

Claimant's or Representative's Signature _____
Name and Title (print) _____
Date _____

Mail this application with supporting documentation to:
Attn: Refunds
State of Washington Department of Revenue
PO Box 47476
Olympia, WA 98504-7476

For tax assistance, visit <http://dor.wa.gov> or call 1-800-445-7306. To inquire about the availability of this document in an alternate format, for the visually impaired, please call (206) 703-6715. TDD/Text (TTY) users only call 1-800-445-7392.

REV 41 0105 (11/8/07)

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

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

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

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

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



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

Questions?

