



TENNESSEE TAX EXEMPTIONS FOR NONPROFIT ORGANIZATIONS

May 2023 Tax Webinar



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Thanks for joining us!

We will begin at 9:00 am (CST)

➤ **Please check your audio settings. See below for resources in case you experience audio or other technical difficulties:**

- Contact WebEx Support <https://help.webex.com/contact/>
- Link to Technical Service Resource Guide <https://www.cisco.com/c/en/us/support/web/tac/technical-services-resource-guide.html>
- Try leaving and then re-entering the event

View a recording of today's presentation!

[tn.gov/revenue](https://www.tn.gov/revenue) > Taxpayer Education > Tax Webinars

<https://www.tn.gov/revenue/taxpayer-education/tax-webinars.html>

The webinar recording will be posted in the "Webinar Video Library" the day after the event.

➤ **Please submit specific account-related questions or any questions that do not get addressed in this webinar to us directly!**

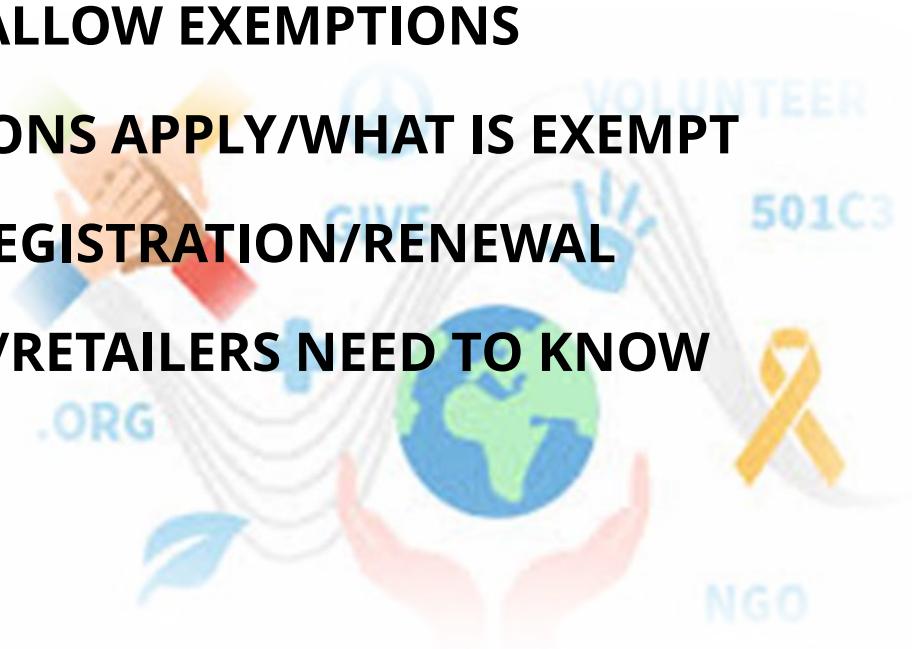
- www.tn.gov/Revenue
- Revenue.support@tn.gov
- 615.253.0600 (M-F 8-4:30 CST)



Overview

NONPROFIT ORGANIZATIONS OPERATING IN TENNESSEE MAY QUALIFY FOR CERTAIN TAX EXEMPTIONS

- **WHICH TAX TYPES ALLOW EXEMPTIONS**
- **HOW THE EXEMPTIONS APPLY/WHAT IS EXEMPT**
- **QUALIFYING FOR REGISTRATION/RENEWAL**
- **WHAT DO DEALERS/RETAILERS NEED TO KNOW**
- **RESOURCES**



SALES TAX EXEMPTION

- Products/services are exempt from sales tax when sold or donated to nonprofit religious, educational, and charitable institutions that have applied and received a Certificate of Exemption from the Tennessee Department of Revenue
- The exemption applies to products/services that the nonprofit organization purchases for its use and consumption or to give away
- The exemption does not extend to sales of property or services **made by** nonprofits (some sales can be exempt)

USING THE EXEMPTION

- 1. Apply for the exemption with TDOR**
- 2. When purchasing goods/services, present a current Certificate of Exemption OR streamlined sales tax certificate that includes the organization's TN exemption number.**
 - An out-of-state 501(c)(3) organization may use its federal authorization to make exempt purchases in Tennessee
- 3. Payment**
 - cash sale - receipt must include the purchaser's name and the amount of the sale
 - non-cash sale - must be made with the exempt organization's check or credit card. The credit card must list the exempt organization's name or the organization's name and a signor, and the credit card must be billed directly to the exempt organization



HOW TO APPLY

<https://www.tn.gov/content/dam/tn/revenue/documents/forms/sales/f1306901.pdf>

REQUIRED DOCUMENTATION:

a: copy of charter, bylaws, and/or any other documentation evidencing the exempt activity

b-g: documentation of the federal exemption

h-i: copy of the letter of exemption issued by the National Credit Union Administration or a copy of the Tennessee charter as a credit union

j: documentation of direct or indirect ownership by a nonprofit entity and a copy of your charter.

1. Organization Name _____ FEIN _____

2. Mailing Address _____
Street City State ZIP Code

3. Date Established _____ Organization Phone No. _____ Email Address _____
MM/DD/YYYY Required

4. Location Address _____
Street (Cannot use P.O. Box) City County

5. Organization Contact _____
Name Phone Number (Required) Email Address

6. Type of exempt organization. Check all that apply. **You must submit proper documentation with application:**

- a. Organization listed under Tenn. Code Ann. § 67-6-322(a); Entity type: _____
- b. 501(c)(3) (if located in Tennessee)
- c. 501(c)(5) – Labor Organization
- d. 501(c)(8) – Fraternal Benefit Organization
- e. 501(c)(13) – Non-for-Profit Cemetery Company
- f. 501(c)(19) – Veterans Organization
- g. 501(c)(4) – War-Time Veterans Organization
- h. Federally Chartered Credit Union
- i. Tennessee Chartered Credit Union
- j. Tennessee Historic Property Preservation or Rehabilitation Entity

7. Identify two owners, officers, and/or partners (one of these must sign the affidavit below):

a. _____
Name Phone Number SSN
Street (Cannot Use P.O. Box) City State ZIP Code

b. _____
Name Phone Number SSN
Street (Cannot Use P.O. Box) City State ZIP Code

8. Describe the organization's activities at the location address _____

CERTIFICATE

- Separate certificate of exemption needed for each location
- Automatic renewal every 4 years
- Qualifications for an exemption are subject to review and verification upon audit
- Change in location address? Must submit new application



STATE OF TENNESSEE DEPARTMENT OF REVENUE

RED BARN BAPTIST CHURCH
4508 DAYTON BLVD. X X X
CRANTON CROSSING TN 37032

Effective Date: July 1, 2019
Expiration Date: June 30, 2023
Account No: 100030216955C
Exemption No: 180326800
Facility Address:
4508 DAYTON BLVD. X X X
CRANTON CROSSING TN 37032

Exempt Organizations or Institutions Sales and Use Tax Certificate of Exemption

This organization or institution qualifies for the authority to make sales and use tax exempt purchases of goods and services that it will use, consume or give away.

This authorization for exemption is limited to sales made directly to the referenced organization. This exemption certificate may not be used for sales made to individuals paying with personal checks or personal debit or credit cards, even if the individual is a representative or employee of the organization, and he or she will be reimbursed for the purchase. Sellers must refuse to accept the certificate when the sale is made to someone other than the organization.

This exemption certificate may not be used to make purchases without the payment of sales and use tax for other locations and may not be transferred to or used by any other person.

Seller's Name

Seller's Address (City & State)

I, _____ as an authorized representative of the taxpayer named above, affirm that the purchases qualify for the exemption and will be used at the location of the facility address referenced above. Under penalty of perjury, I affirm this to be a true and correct statement.

Print Name of Authorized Representative

Signature of Authorized Representative

Date

SALES MADE BY NONPROFITS

NONPROFIT ORGANIZATIONS THAT MAKE REGULAR SALES OF TAXABLE PRODUCTS OR SERVICES MUST REGISTER FOR AND COLLECT SALES TAX. HOWEVER, THERE ARE EXCLUSIONS....

- **TEMPORARY SALES PERIODS** – if a nonprofit organization only sells goods or services during 1 or 2 temporary selling periods per year, with each period lasting 30 days or less, it is not required to register to collect sales tax on its sales
- Items sold directly to consumers by the **GIRL SCOUTS** or at **COUNTY FAIRS** for no more than 2 temporary sales periods
- Items sold directly to consumers by a **VOLUNTEER FIRE DEPARTMENT** for no more than 4 temporary sales periods

SALES MADE BY NONPROFITS, CONT'D

- Items sold by charitable organizations whose primary purpose is fundraising in support of a city, county, or metropolitan **LIBRARY SYSTEM**
 - sales must not exceed \$300,000 per calendar year
 - the election by the charitable organization must remain in effect for at least 4 years
- Items sold by a **COMMUNITY FOUNDATION**
 - sales shall take place during no more than 2 auctions, which last no more than 24 hours, in each county designated to receive charitable support from a fund or trust that comprises a component part of the community foundation

SALES MADE BY NONPROFITS, CONT'D

- **K-12 PUBLIC AND PRIVATE SCHOOLS** and school support groups must pay tax to their vendors on the purchase price of products or services that are intended for resale but the resale of such products and services are not subject to sales tax
- Persons operating any **VENDING MACHINE FOR THE BENEFIT OF A CHARITABLE NONPROFIT ORGANIZATION**, by which the merchandise being sold is worth 25¢ or less, may opt to pay a gross receipts tax in lieu of sales tax
- **ONLINE ACCESS TO CONTINUING EDUCATION COURSES OFFERED BY 501(C)(3) OR (C)(6) ORGANIZATIONS** that meet regulatory requirements for licensed individuals

DUES, FEES & ADMISSION CHARGES

- Dues and fees are exempt from sales tax for nonprofit organizations
- Admission charges to entertainment facilities, activities, or events held for or sponsored by nonprofits are exempt from sales tax.



AUCTIONS

Sales of auction items that are donated for nonprofit auction events are considered occasional and isolated sales, during a specific tax year, if they meet the following requirements:

- Sales must be made directly to consumers
- Sales must be made during temporary sales periods that year
- The taxpayer must have no more than two temporary sales periods during that year
- No single sales period can exceed 30 consecutive days in duration

BUSINESS TAX EXEMPTION

BUSINESS TAX DOES NOT APPLY TO THE FOLLOWING:

- Nonprofits whose only taxable business activity is conducted at the TN State Fair or a county fair
- Persons conducting shows, displays, or exhibits sponsored by any nonprofit organization of gun collectors
- Services rendered by nonprofit membership organizations
 - If nonprofit membership organizations make sales of food, beverages, or other tangible personal property, these sales are subject to business tax
- Services furnished by nonprofit educational and research agencies
- Services by religious and charitable organizations

BUSINESS TAX - Qualified Amusement Activities

Gross proceeds from admissions to amusement or recreational activities conducted, produced, or provided by the following organizations are exempt from business tax:

- Nonprofit museums
- Nonprofit entities operating historical sites and nonprofit historical societies, organizations, or associations
- Organizations which have received and currently hold 501(c) exemption
- Organizations operating on a membership basis for the promotion of the interests of their members

This exemption does not apply unless such entities, societies, associations, or organizations promote, produce, and control the entire amusement or recreational activity

FRANCHISE & EXCISE TAXES

NONPROFITS* ARE GENERALLY EXEMPT FROM F&E TAX, EXCEPT IF THEY DERIVE TAXABLE INCOME FROM UNRELATED TRADE OR BUSINESS ACTIVITY PURSUANT TO I.R.C. § 512, OR ARE SUBJECT TO FEDERAL INCOME TAX UNDER I.R.C. SUBTITLE A

*For TN F&E tax purposes, “nonprofit” is defined in I.R.C. § 401, § 408, § 408A, § 409, § 501, § 526, § 527, § 528, § 529 or § 530

F&E TAX - CHARITABLE GIVING INCENTIVES

TN PROVIDES CERTAIN INCENTIVES IN THE FORM OF EXCISE TAX DEDUCTIONS TO ENCOURAGE CHARITABLE GIVING TO ELIGIBLE ENTITIES



- **Federal Charitable Contributions Deduction** - TN generally conforms to the federal charitable contributions deduction, with two major exceptions:
 - the taxpayer is permitted to deduct all bona fide contributions expensed and paid in a given year without regard to any percentage limitations imposed under federal law; and
 - TN permits only the book basis of property donated to charity as a deduction in determining net earnings for the purpose of computing the excise tax

F&E TAX - CHARITABLE GIVING INCENTIVES, cont'd

- **TN Monetary Donations Deduction** - TN provides an excise tax deduction equal to 75% of the value of monetary donations made to certain eligible entities. A taxpayer may be able to deduct 175% of the value of a monetary donation. The following are eligible entities for purposes of this deduction:
 - nonprofit corporations, associations, and organizations (26 U.S.C. § 501(c)(3))
 - not-for-profit civic leagues or organizations (26 U.S.C. § 501(c)(4))
 - associations and organizations (26 U.S.C. § 501(c)(5))

ALCOHOL TAX

NONPROFIT ORGANIZATIONS MAY OCCASIONALLY HOST FUNDRAISERS OR OTHER EVENTS WHERE THEY SERVE ALCOHOLIC BEVERAGES, WINE, AND BEER. SELLING ALCOHOLIC BEVERAGES IS HIGHLY REGULATED AND REQUIRES CERTAIN LICENSES THAT ARE ISSUED BY THE ALCOHOLIC BEVERAGE COMMISSION (ABC).

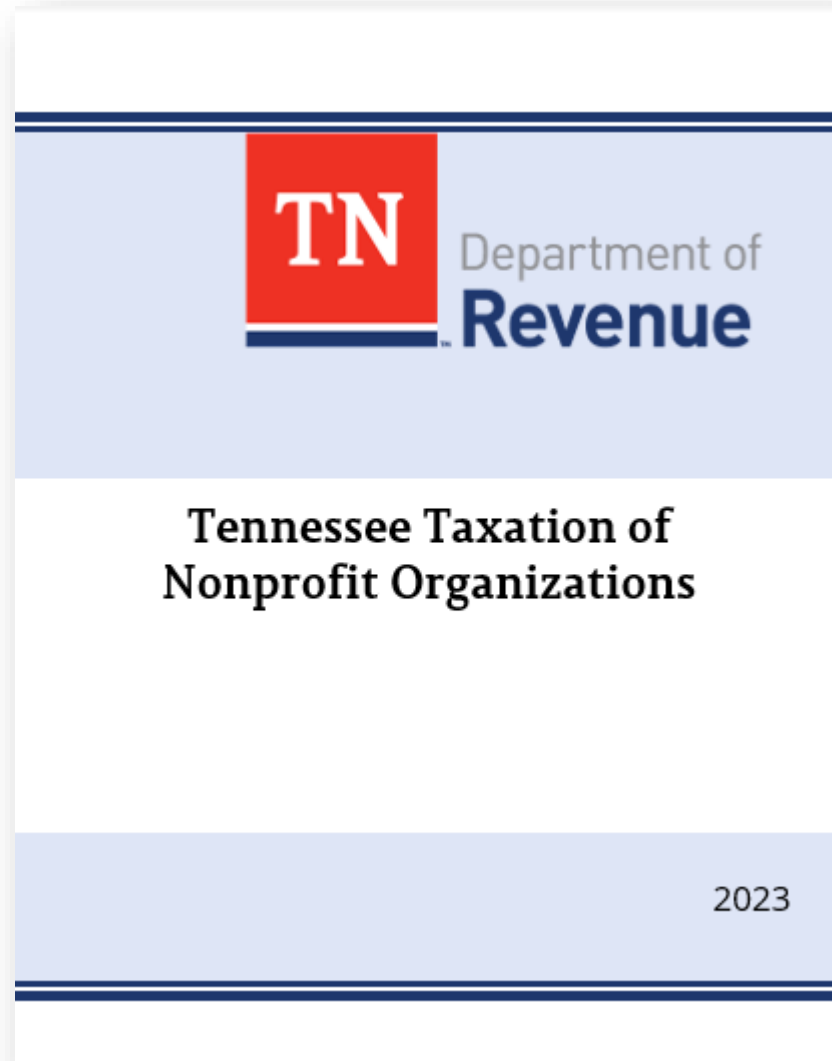
- ABC may issue a special occasion license to a nonprofit organization to sell alcoholic beverages at fundraising events it produces
- Nonprofits that hold a special occasion license and sell alcoholic beverages pursuant to that license do not owe the liquor-by-the-drink tax on those sales

ALCOHOL TAX – SPECIAL LICENSES

- If the event is produced by another entity, the event will not qualify for a license even if the proceeds are later donated to a nonprofit organization
- The license is only valid for one 24 hour period and a nonprofit organization is eligible for a maximum of 12 licenses per calendar year
- There are several additional restrictions and requirements that apply to special occasion licenses issued by the ABC
 - <https://www.tn.gov/abc/licensing/liquor-by-the-drink/licenses/special-occasion-licenses--lob-.html>
- Special occasion licensees may not purchase alcoholic beverages at wholesale
- They can either accept donated alcoholic beverages or purchase said beverages at retail. Purchases from retailers are not considered wholesale sales and are not subject to the gallonage tax

Resources

NEW NONPROFIT TAX MANUAL!



<https://www.tn.gov/revenue/tax-resources/legal-resources/tax-manuals.html>

Resources – www.TN.gov/Revenue

The screenshot shows the TN Department of Revenue website. At the top left is the TN logo and the text "Department of Revenue". To the right is a search bar labeled "Search Revenue" and a "Go to TN.gov" link. Below the header is a navigation menu with items: "How Do I...?", "E-filing Information", "Taxes", "Tax Resources", "Title and Registration", "Motor Carrier", and "Revenue News".

Five red arrows point to the following resource tiles:

- Tax Manuals and Important Notices**: Points to a tile featuring a keyboard, glasses, and a tablet displaying charts. The tile text reads "Tax Collection Dashboards" and "Click here for more information."
- Register/File/Pay/etc**: Points to a tile with the "TNTAP" logo and the text "E-File & Pay".
- Help Articles**: Points to a tile with a chalkboard background and the text "Questions?" and "Revenue Help".
- General Tax Info**: Points to a tile with the text "Taxes" and an image of Tennessee state flags.
- HOT TOPICS**: Points to a tile with the text "HOT TOPICS" and "News & Publications".



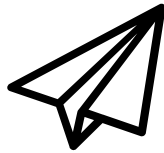
CONTACT US!



**Please submit
specific
account-
related
questions, or
any questions
directly to us!**



www.tn.gov/Revenue



Revenue.Support@tn.gov



615.253.0600 (Tax Call Center)



500 Deaderick St.
Nashville, TN 37242



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**PLEASE TAKE A MOMENT
TO COMPLETE A BRIEF
SURVEY UPON EXITING!**

IMPORTANT: In order to receive CPE credit for attending, you must answer yes to question 4 of the post-event survey.