



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

AUGUST 13, 2009

Nonprofit Fundraising

Originally issued January 5, 2004 – Reissued August 2009

This special notice provides basic information about the taxability and specific exemptions for nonprofit fundraising. It is current at the time of publication, but future changes may invalidate some of this information and not all applications of tax are discussed. The material is intended only for general informational purposes; it does not alter or supersede any administrative regulations or rulings issued by the Department.

Tax Registration

Amounts received for activities that are specifically exempt, explained below, do not need to be reported to the Department of Revenue. The nonprofit is not required to register with the Department of Revenue if all of its income is exempt. Depending on the circumstances the nonprofit organization may register on a temporary or a permanent basis to report taxable activities.

Fundraising Exemptions

Nonprofit organizations conducting qualifying fundraising activities, are exempt from the business and occupation (B&O) tax and the requirement to collect sales tax. Fundraising activities include directly soliciting money or other property, or selling goods or services to further the nonprofit organization's goals. It does not include the operation of a regular place of business with regular hours such as a bookstore, thrift shop, restaurant or similar business.

For the purpose of the fundraising exemption, the term "nonprofit organization" means the following:

- 1) An organization exempt from federal tax under Section 501 (c)(3), (4), or (10) of the federal internal revenue code; or
- 2) A nonprofit organization that would qualify under number one above except that it is not organized as a nonprofit corporation; or
- 3) A nonprofit organization meeting all of the following criteria:
 - a) members, stockholders, officers, directors, or trustees of the organization do not receive any part of the organization's gross income, except as payment for services rendered,
 - b) compensation received by any person for services rendered does not exceed a reasonable amount, and
 - c) activities of the organization do not include a substantial amount of political activity.

Resale Certificates (valid through 12/31/2009)

Nonprofit organizations making purchases for resale for qualifying fundraising purposes may use a resale certificate so that sales tax will not be due on these purchases. Nonprofit organizations not otherwise required to register with the Department of Revenue are not required to include a state tax registration number on the certificate. Instead, nonprofits may use the term "Nonprofit Fundraising Activity" instead of a tax registration number.

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Reseller Permit

Effective January 1, 2010, the resale certificate will be replaced with a reseller permit issued by the Department of Revenue. The permits allow business and nonprofit organizations to purchase items or services in Washington for resale without paying retail sales tax.

Nonprofit organizations will have to apply to the Department to obtain a reseller permit. (Nonprofits will not be required to have a tax registration if they do not conduct taxable activities.) Applications will be available on our web site at <http://dor.wa.gov>.

Donated Goods and Services

Donors of tangible personal property to nonprofit charitable organizations are exempt from the use tax liability on donated items when no intervening use has taken place. Nonprofits are exempt from use tax on donated items.

Both the donor and donee are exempt from use tax on donated amusement and recreational services.

For More Information

If you have questions about the business and occupation or sales/use tax exemptions, please contact the Telephone Information Center at 1-800-647-7706.