



Sales and Use Tax for Schools

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Sales and Use Tax Speakers Bureau

April 11, 2024

1

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This presentation is based on the facts and circumstances being discussed, and on the laws in effect when it is presented. It does not supersede or alter any provisions of Minnesota laws, administrative rules, court cases, or revenue notices.

If you have any questions, contact us at salesuse.edu@state.mn.us, 651-296-6181, or 1-800-657-3777 (toll-free).



Minnesota Business Tax Education Program
Providing education opportunities about Minnesota tax laws.

2

Overview

This presentation explains how sales and use tax applies to sales and purchases made by:

- School districts
- Public schools
- Student organizations
- Parent organizations



3

3

Course Objectives

As a result of the training, you will be able to identify:

- When fundraising sales are taxable and when they are not taxable
- When ticket sales and admissions to school games, events, and activities are taxable
- Which sales made to students are taxable
- How sales and use tax applies to purchases made by public schools and school districts
- What resources are available to help answer future questions and keep you informed

4

4



What is Exempt
What is Taxable

Sales by Schools

5

5

Minnesota Tax Identification Number

Any entity that makes taxable sales must:

- Have a Minnesota Tax ID number
- Register for Sales and Use Tax
- Collect sales tax on all taxable sales
- Remit sales tax to the Minnesota Department of Revenue

6

6

Fundraising Event

“Fundraising event” means an activity that:

- is of limited duration;
- is not regularly carried out in the normal course of business; and
- attracts people for community, social, or entertainment purposes



7

7

Fundraising Sales by Schools and School Districts

Recent law changes affecting fundraising sales

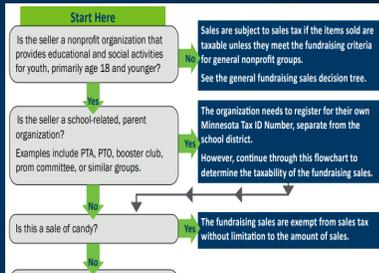
- 2019 - Minnesota Statute §123B.49, subd. 4
- 2021 - Minnesota Statute §297A.70, subd. 13(b)(3)

8

8

Fundraising Sales by Youth Organizations

- Nonprofit organization for youth?
- School-related parent organization?
- Sale of candy?



9

9

Fundraising Sales by Youth Organizations

- 2021 Law Change
- Recorded with the school district?



10

Fundraising Sales by Youth Organizations

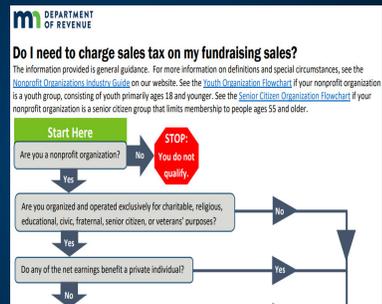
- Receipts total more than \$20,000?



11

General Fundraising Sales Flowchart

- Receipts total more than \$20,000?
- 24 or fewer selling days?



12

Sales of Personal Computers and Related Software

Personal computers and related software sold by a school are not taxable if these three criteria are met:

1. The school sells or leases the item to enrolled students
2. It is required for a course of study
3. It is a condition of enrollment



13

13

Sales of School Tickets or Admissions - Minnesota State High School League Members

Admission to all school sponsored events are exempt from sales tax.

- Regular season games
- Tournament games
- Post-season games
- School sponsored events and activities



14

14

Sales of School Tickets or Admissions - Not a Member of the MSHSL

What are the rules for non-member school districts?

Type of School Game, Activity, or Event	Taxable?
Regular season	No
Tournament	Yes
Post-season	Yes
Other non-regular season	Yes



15

Taxable Admissions to Athletic Facilities

- Athletic fields
- Gymnasiums
- Handball courts
- Ice skating rinks
- Swimming pools
- Tennis courts
- Weight rooms

16

16

Taxable Items Sold by Schools

- Class rings
- Graduation announcements
- Pictures
- Yearbooks

17

17

Taxable Items Sold by Schools

- Art supplies
- Books other than textbooks
- Musical instruments
- School supplies
- Shop supplies

18

18

Other Taxable Items Sold by Schools

- Parking fees
- Rental of recreation areas and athletic facilities
- Sports equipment
- Swimming pool admissions and towel fees

19

19

Taxable Vending Machine Sales

- Candy bars
- Honey roasted nuts
- Hot coffee or cocoa
- Sandwiches
- Soda pop and other soft drinks
- Sports drinks



20

20

Nontaxable Vending Machine Sales

- Bottled water
- Carton of milk
- Cookies and muffins
- Fruits and fruit juices
- Licorice
- Potato chips

21

21

Nontaxable Items Sold by Schools

- Graduation cap and gown rentals
- Tuition
- Memberships or club dues to school organizations



22

22

Fundraising Scenarios for School Districts

23

23

Concession Stand

You have a concession stand located on school premises that is available to all student organizations to work to earn fundraising dollars for their club or team.

Items sold at the concession stand include candy, gum, bottled water, milk, fruit, fruit juice, soda pop, pre-packaged ice cream novelties, pizza, hot dogs, popcorn, chips & cheese, ramen noodles, coffee, hot chocolate, hats, t-shirts, and sweatshirts.

All items sold at a concession stand qualify for the fundraising exemption.

True
 False

24

24

Lost or Damaged Book

You charge students a fine for a lost book.

The fine is taxable.

True

False

25

25

Choir Concert

The high school choir holds a spring concert at the local civic center. The event is sponsored by the MSHSL and listed on their calendar.

The admission charge to the concert is not taxable.

True

False

26

26

Oil Changes by the Automotive Repair Class

The automotive repair class at the high school provides oil change services to staff, students, and parents. The customers are charged for this service.

The charge for the oil change is taxable.

True

False

27

27

Rental of Facilities

The community is allowed access to the school during non-school hours to hold meetings and training events. The school charges rent for the classroom.

The rental charge is taxable.

- True
- False

28

Scholastic Book Fair

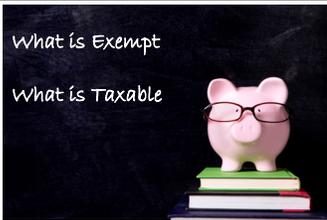
There are three elementary schools in the district. Each school runs a book fair through Scholastic. The first school has a total of \$10,000 in sales, the second school's total is \$5,000 and the third's total is \$7,000. All proceeds are deposited into the district account and proceeds are used to buy books for the schools.

The money raised at the Scholastic book fair is not taxable.

- True
- False

29

What is Exempt
What is Taxable



Purchases by Schools

30

Purchases by Schools

Most goods, services, and equipment **used by** public schools may be purchased exempt by the school.

- Chairs and desks
- Computers and software
- Lab equipment and supplies
- Library books and textbooks
- Office supplies and equipment
- Security services



31

31

Special School Exemption - Meals at Schools

Criteria for the exemption for meals at schools:

- Prepared food, drinks and catering services
- Furnished, served or delivered on school premises
- Pre-K through grade 12



32

32

Special School Exemption - Textbooks

Criteria for the exemption for textbooks:

- Required for use in a course of study at a school
- Sold to regularly enrolled students
- Complete an exemption certificate



33

33

Special School Exemption - Motor Vehicles

Criteria for the exemption for motor vehicles:

- Purchased or used by a private nonprofit or public school
- Used as an instructional aid in a vehicle body and mechanical repair course



34

34

Exceptions to the Nonprofit Exemption

The exceptions to the general exemption include:

- Candy and soft drinks
- Lodging
- Prepared food served off school premises
- Employee purchases
- Sales tax on most motor vehicles
- 9.2% car rental tax and 5% car rental fee
- Solid waste management taxes

35

35

Improvements to Real Property

- Construction contracts are not subject to sales and use tax.
- Contractors must pay sales or use tax on the materials
- Purchasing agent agreements only allowed for materials only contracts.



36

36

How to Make Exempt Purchases

Public schools must give their suppliers at least one of these types of documentation when purchasing exempt:

- A completed Form ST3, Certificate of Exemption
- A purchase order *
- Payment voucher *

Note: If using a purchase order or payment voucher, it must clearly show that the school is a government entity.

37

37

Required Elements for Exemption Certificates

The screenshot shows Form ST3 with several fields highlighted in red boxes. The highlighted fields include:

- Purchaser's name and address: 133 Main Street, Anytown, MN 55555
- Purchaser's Minnesota tax ID number: 1334567
- Purchaser's type of business: 01 - Educational and health services
- Reason for exemption: 1 - Federal government exemption
- Purchaser's signature: John Jones

- Purchaser's name and address
- Purchaser's Minnesota tax ID number
- Purchaser's type of business
- Reason for exemption
- Purchaser's signature (if a paper certificate is used)

38

38

Other Fields on the Exemption Certificate

The screenshot shows Form ST3 with several fields highlighted in red boxes. The highlighted fields include:

- One-time exemption on a purchase: One-time exemption on a purchase
- Seller's name and address: ABC School Supply Co., 987 University Ave., St. Paul, MN 55101
- Name of Purchaser: T.S.D., 987, 133 Main Street, Anytown, MN 55555

- One-time exemption on a purchase
- Seller's name and address

39

39



Resources to Answer Your Questions

40

40

Are you looking for additional resources?



Visit our website at revenue.state.mn.us

41

41

Additional Resources and References

- Admissions and Amusement Devices Industry Guide
- Contractors and Other Property Installers Industry Guide
- Food and Bar Establishments Industry Guide
- Hotels and Other Lodging Establishments Industry Guide
- Motor Vehicle Industry Guide
- Vending Machines and Other Coin-Operated Devices Industry Guide
- Food and Food Ingredients Fact Sheet (#102A)
- Candy Fact Sheet (#102B)
- Soft Drinks and Other Beverages Fact Sheet (#102C)
- Prepared Food Fact Sheet (#102D)
- Parking Services Fact Sheet (#166)

42

42

Sales and Use Tax Contact Information

- Sales taxability questions
Email: salesuse.tech@state.mn.us
- Sales and Use Tax account questions
Email: salesuse.tax@state.mn.us
- Telephone assistance
Phone: 651-296-6181 or 1-800-657-3777 (toll free)

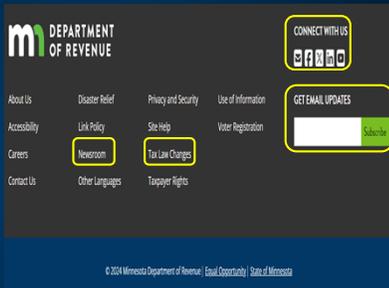


43

43

Stay Informed

- Newsroom
- Tax Law Changes
- Social Networks
- Email Updates



44

44

Review of Course Objectives

- During this session, we explained ...
- When fundraising sales are taxable and when they are not
 - When ticket sales and admissions to school games, events, and activities are taxable
 - Which sales made to students are taxable
 - How sales and use tax applies to purchases made by public schools and school districts
 - What resources are available to help answer future questions and keep you informed

45

45



Questions?

46



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Sales and Use Tax Speakers Bureau

Thank you!

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47

Schools – Sales and Purchases

111

Sales Tax Fact Sheet 111

Fact Sheet

This fact sheet explains how sales tax applies to sales and purchases made by schools and school districts.

What's New

Starting July 1, 2021, sales made by school-associated student groups are exempt from sales tax when certain conditions are met. See page Fundraising Sales on page 4.

Types of Schools

School Districts

Public school entities and districts, organized under the laws of the state of Minnesota and administered by the Minnesota Department of Education.

Public Schools

Primary and secondary schools, colleges and universities, academies, charter schools, the Minnesota Center for Arts Education, early childhood development classes (pre-kindergarten), alternative schooling (specialty classes) and community education classes.

Private Nonprofit Schools

Primary and secondary schools, home schools, colleges and universities, academies, and professional, trade, and career schools. To qualify for exemption, the private nonprofit school must provide education equivalent to that furnished at public schools.

Private For-Profit Schools

Primary and secondary schools, colleges, and universities that provide an education equivalent to that furnished at public schools. For-profit schools must pay sales or use tax on purchases of taxable goods and services.

Private For-Profit Career Schools

Business schools, licensed under Minnesota Statute Chapter 136A, must pay sales or use tax on purchases of taxable goods and services.

Note: The exemptions described in this fact sheet do not apply to for-profit schools unless specifically indicated.

Purchases by Schools

Goods, services and equipment purchased by public and private nonprofit schools and used by schools are exempt from sales tax.

The exemption *does not* apply to the following:

- Prepared food, soft drinks and candy, including catered food—see “Meals at schools” on page 2
- Lodging
- Employee purchases—see “How to make exempt purchases” on page 2

- Sales tax on most motor vehicles—see “Motor vehicles” on page 3 for exceptions
- 9.2% car rental tax and 5% car rental fee

Schools must also pay tax on waste collection and disposal services (this is a special tax, not a sales tax).

Recreational and athletic equipment, such as basketball hoops or fold-up bleachers, that are freestanding, are exempt when purchased by schools.

Contracts to Improve Real Property

Some items, such as backstops, playground equipment, and tennis courts are permanently affixed to real property by contractors. When a school hires a contractor to build, repair, or improve real property or to permanently affix items to real property, a school's exemption may not be used to buy materials exempt for use in a lump-sum contract covering both labor and materials. Contractors do not charge sales tax to their customers on construction contracts. However, a contractor must pay sales or use tax on the cost of all materials, supplies, and equipment to complete the construction contract unless the school authorizes the contractor to act as its purchasing agent.

For more information, see the Contractors and Other Property Installers Industry Guide and Revenue Notice 17-10, Construction Contracts with Exempt Entities.

How to Make Exempt Purchases

Public schools must give their suppliers a completed Form ST3, *Certificate of Exemption* or a purchase order or payment voucher that clearly shows that the school is a government entity.

Private Nonprofit School Exempt Purchases

Private nonprofit schools must give their suppliers a completed Form ST3, *Certificate of Exemption*, including their Minnesota tax identification number or exempt status number assigned to them, if they have one. To apply for an exempt status number, complete Form ST16, *Application for Nonprofit Exempt Status*.

Individual Purchases

Purchases made for a school by an employee who is later reimbursed by the school are taxable. Purchases are exempt from sales tax only when billed to and paid for by the school. Schools should not make exempt purchases for employees who will reimburse the school.

Special School Exemptions

Meals at Schools

Prepared food, drinks, and catering services are exempt if they are furnished, served or delivered *on school premises*. School premises means the school building or grounds of any public or private (nonprofit or for-profit) school, grades pre-kindergarten through 12th grade.

Pre-kindergarten is a program designed to prepare pupils to enter kindergarten the following school year.

This exemption does not apply to meals at colleges, universities and private career schools, unless they are part of a board contract.

‘Board Contracts’

A “board contract” means a pre-paid contract or a lump sum charge for a set term of time with students at a college, university, or private career school. The exemption applies whether the meals are provided by the school or by a third party. The exemption applies to purchases with debit cards, “flex money,” “bonus bucks,” or any other method of purchase authorized by the educational institution under a board contract. Sales of meals and drinks to students who don’t have a board contract, to faculty, employees, and all others are taxable.

Vending Machines

The only taxable food sold through vending machine is prepared food, soft drinks, candy, and dietary supplements.

For more information, see the Vending Machines and Other Coin-Operated Devices Industry Guide.

Administrative Offices

Administrative offices located off the school premises are not considered part of the school and therefore meals served at those offices are taxable.

Examples

- A concession stand is located near a senior high school football field (on school premises) where hot dogs, beverages, etc., are sold during games. No sales tax should be charged because the concession stand is on school premises.
- A cafeteria at a university serves meals to students who have board contracts. These meals are not taxable because they are part of a board contract. However, meals to students who do not have board contracts, and to all others, are taxable.
- A wedding reception is held in an elementary school cafeteria and food is furnished by a caterer. The caterer should not charge sales tax on the meal because it is served on school premises.

Textbook Exemption

Textbooks prescribed for use in a course of study at a school as described on page one, including for-profit schools, home schools, and private career schools; are not taxable when sold to regularly enrolled students.

The exemption for textbooks also includes “digital” textbooks delivered electronically. For more information, see the Digital Products Fact Sheet.

To purchase exempt, the student must give the seller a completed Form ST3, *Certificate of Exemption*.

Instructional Materials

Instructional materials sold to a student for use directly in courses at post-secondary schools, colleges, universities, or private career schools, including for-profit schools, are exempt from sales tax.

Instructional materials are the electronic or other equivalent of a textbook that is contained on:

- interactive CDs
- tapes
- computer software
- digital audio clips
- digital audiovisual clips

To purchase instructional materials exempt, the student must give the seller a completed Form ST3, *Certificate of Exemption*.

Supplies

Supplies do not qualify for the instructional materials exemption.

Examples include:

- pens, pencils, paper, and folders
- art supplies, easels
- beauty supplies (or kits)
- tools and tool boxes

Motor Vehicles

Vehicles purchased or used by a private nonprofit or public school for use as an instructional aid in a vehicle body and mechanical repair course are not taxable. This exemption does not include vehicles used in driver education programs.

Vehicles purchased or leased by private nonprofit schools, or other nonprofit groups organized exclusively for charitable, religious or educational purposes, that are used primarily to transport goods or people, other than employees, as part of the group’s nonprofit activities are exempt. To qualify, the vehicle must be a truck, bus or automobile designed to carry at least ten people. This exemption does not apply to governmental schools, school districts or organizations, or to private bus companies.

Charges for live or prerecorded audio and audiovisual presentations are exempt when they are accessed electronically if they meet the following requirements:

- admission to the in-person presentation is not subject to tax.
- online participants and the presenter can interact with each other while participants view the presentation; and
- any limits on the amount of interaction (and when it occurs) are the same for both online and in-person participants.

Note: Tuition is not taxable for classes a student attends online as part of a course of study at a post-secondary school, college, university, or private career school.

Sales Made by Schools

Generally, sales tax applies to sales of taxable items because the exemption for school *purchases* does not apply to *sales* made by a school. Many schools sell taxable items in school stores, bookstores or directly to students. Some school organizations, such as band, the science club, or the Spanish club, also make sales. However, there are fundraising exemptions that may apply.

Some organizations, such as PTA's, PTO's, booster clubs, and prom committees, are organized separately from the school. These organizations must have their own Minnesota Tax Identification Number, be registered for sales tax, and must collect and remit sales tax on taxable sales unless they qualify for the fundraising exemptions.

Fundraising Sales

Fundraising sales made by youth organizations may qualify for a fundraising exemption. The first \$20,000 of qualifying fundraising sales each year are exempt from sales tax. (Before January 1, 2015 the limit was \$10,000).

Note: A separate exemption applies to sales of candy and gum when sold for fundraising purposes by school groups – these sales are exempt and do not have a limit.

Starting July 1, 2021, sales made by school-associated student groups are exempt from sales tax, even when the money is recorded as part of school district revenues, when all the following apply:

- the sales are for fundraising purposes of elementary or secondary student organizations to fund extracurricular activities such as sports, arts, etc.
- the school district reserves the revenue raised for extracurricular activities and the money raised for a specific activity is spent on that activity.

Note: This restores the exemption that was in place before 2019.

For more information, see the Nonprofit Organization Industry Guide and youth group flowchart on our website.

Personal Computers and Related Software

Personal computers and related software sold by a school, college, university or private career school are not taxable if:

- the school sells or leases the computer and software to its enrolled students,
- it is prescribed for use in a course of study at the school, and
- it is required as a condition of enrollment.

Sales, leases, rentals, or fees to use computers are taxable if they do not meet the above requirements.

School Tickets or Admissions

Pre-Kindergarten Through Grade 12

Sales of tickets or admissions to regular season school games, events, and activities (e.g., concerts and plays) are exempt. This exemption applies to public, nonprofit, or for-profit schools with grades pre-kindergarten through grade 12 and to vocational center/career schools.

Sales of admissions to tournaments, post-season games and other non-regular season games, events and activities are taxable. Also taxable are admissions to swimming pools, ice skating rinks, tennis courts, handball courts and athletic fields.

Minnesota State High School League

Admissions and tickets to games, events, and activities sponsored by the Minnesota State High School League are exempt from sales tax. This exemption ends June 30, 2027.

Note: Admissions may be sold through any venue to qualify for the exemption.

University of Minnesota

Sales of admissions to artistic events sponsored by the University of Minnesota are exempt from both state and local sales taxes if the events are held at university-owned facilities.

Private Nonprofit Colleges, Universities, or Career Schools

An exemption applies to tickets or admissions if the sales are made by an organization that qualifies as a nonprofit organization under 501(c)(3) of the Internal Revenue Code and that meets specific voluntary contribution criteria. For more information, see Revenue Notice 03-14, Nonprofit Admission Ticket and Fundraising Sales.

Examples of Taxable Sales by Schools

- amusement device receipts such as from jukeboxes, billiard or pool tables, shuffleboard, foosball or ping pong tables, electronic games, fortune telling machines, crane pick-up machines, batting cages, rides, photo booths
- rental of recreation areas and athletic facilities
- art supplies
- books (other than textbooks), encyclopedias, dictionaries, and other general reference materials
- class rings
- graduation announcements
- houses—made by shop class (not attached to land) sold to a buyer who will move the house to another location
- lodging furnished for a period of less than 30 days, or a longer period when there is no written enforceable lease agreement that requires the lessor and lessee to give prior notice of their intention to terminate
- magazines and periodicals sold over the counter
- parking fees – see the Parking Service Providers Industry Guide
- pictures
- school supplies such as pencils, paper, notebooks
- shop supplies
- swimming pool admissions
- towel fees
- vending machine sales
- yearbooks

Examples of Exempt Sales by Schools

- graduation cap and gown rentals
- laundry washers and dryers (coin operated) both on and off school premises
- lodging furnished for a period of 30 days or more if there is a written enforceable lease agreement that requires the lessee to give prior notice of intention to terminate
- membership or club dues (general) to school organizations are exempt from sales tax; however, if such membership or dues provide access to athletic or amusement facilities, they are taxable
- tuition

Legal References

Minnesota Statutes 120A.22, subd. 4, School Defined

Minnesota Statutes 120A.05, Education Code, Definitions

Minnesota Statutes 123B.49, subd. 4, Board control of extracurricular activities

Minnesota Statutes 141, Private Career Schools

Minnesota Statutes 297A.61, subd. 34, Taxable food sold through vending machines

Minnesota Statutes 297A.67

subd. 5, Exempt meals at schools

subd. 13, Textbooks

subd. 13a, Instructional materials

subd. 14, Personal computers prescribed for use by school

subd. 33, Presentations accessed as digital audio and audiovisual works

Minnesota Statutes 297A.70

subd. 2, Sales to government

subd. 4, Sales to nonprofit groups

subd. 10, Nonprofit tickets or admissions

subd. 11, School tickets or admissions

subd. 11(a), Minnesota State High School League tickets and admissions

subd. 13, Fund-raising sales by or for nonprofit groups

subd. 14, Fund-raising events sponsored by nonprofit groups

Minnesota Statutes 297B.03 Exemptions for Sales Tax on Motor Vehicles

Minnesota Rule 8130.6200 Charitable, religious, and educational organizations

Minnesota Rule 8130.6700, Textbooks

Revenue Notices

02-11, School Meals – Board Contracts at Colleges, Universities, or Private Career Schools

03-14, Nonprofit Admission Ticket and Fund-raising Sales

17-10, Construction Contracts with Exempt Entities

Other Fact Sheets

Candy

Dietary Supplements

Digital Products

Food and Food Ingredients

Prepared Food

Soft Drinks and Other Beverages

Industry Guides

Contractors and Other Property Installers

Nonprofit Organizations

Parking Service Providers

Vending Machines and Other Coin-Operated Devices

Nonprofit Organizations Industry Guide

This information describes the sales and use tax topics related to nonprofit organizations. Use the links in the Guide Menu to see information about that topic.

What's New

Starting July 1, 2021, sales made by school-associated student groups are exempt from sales tax when certain conditions are met. See [Fundraising Sales](#).

Qualifying for Nonprofit Exempt Status

Minnesota law exempts certain nonprofit organizations from paying Sales and Use Tax.

To get this exemption, an organization must apply to the Minnesota Department of Revenue for authorization, known as Nonprofit Exempt Status.

Note: Being exempt from federal income tax does not automatically mean an organization is exempt from sales and use tax in Minnesota. You must apply for the state's sales tax exemption.

What Organizations Can Apply?

To apply, your nonprofit must be exempt from federal income tax and meet other requirements. The requirements are listed in the table below.

Must be exempt from income tax under	Must also be
Internal Revenue Code, section 501(c)(3)	<ul style="list-style-type: none"> Organized and operated exclusively for charitable, religious, or educational purposes
Internal Revenue Code, section 501(c)	<ul style="list-style-type: none"> Senior citizen group organized for pleasure, recreation, or other nonprofit purposes. Limited to members who are 55 or older, or disabled.

Organizations that may qualify include:

- Churches
- Museums and historical societies
- Private schools, colleges, and universities
- Senior citizen groups
- Volunteer fire departments
- Youth organizations, including scouts, 4-H clubs, YMCA, YWCA, and youth sports associations

How to Apply

To apply for nonprofit exempt status, you must complete [Form ST16, Application for Nonprofit Exempt Status – Sales Tax](#). We will send you a letter notifying you if you qualify or not.

Organizations That Do Not Qualify

If your organization does not meet the criteria listed above, your organization does not qualify for nonprofit exempt status. Examples include:

- Adult sports clubs of any type
- Chambers of Commerce
- City-run celebrations
- Fraternities or sororities
- Homeowners' associations
- Jaycees, Kiwanis, and Lions Clubs
- Knights of Columbus and Masonic Lodges
- Lake improvement associations
- Medical clinics
- Prayer societies
- Social clubs
- Trade and professional associations

Note: Veteran organizations do not qualify for Nonprofit Exempt Status but may claim a limited exemption on some purchases. For details, see [Purchases](#).

Taxable Sales

Any nonprofit organization that makes taxable sales must collect and pay tax on the sale unless one of the following applies:

- The state's fundraising exemption applies (see [Fundraising Sales](#))
- The sales qualify for another exemption

Taxable sales include:

- Gift shop sales at a nonprofit museum
- Sales of used furniture, appliances, and other items operated by a nonprofit organization
- Sales of books, manuals, CDs, and other taxable literature to its members on a regular basis

When you purchase items for resale (inventory items), do not pay tax on them. Instead, give your supplier a completed [Form ST3, Certificate of Exemption](#). Specify the Resale exemption.

Local Sales Tax

Some cities and counties have local sales and use taxes. If you are located in or make sales into an area with a local tax, you may owe local sales and use tax. For more information, see [Local Sales and Use Taxes](#).

To determine the sales tax rate, use the location where the product is received by the customer, typically your business or a delivery address. You can use our [Sales Tax Rate Map or Sales Tax Rate Calculator](#) to help you determine the sales tax rate.

Note: The map and rate calculator do not include special local taxes.

For more information, see:

- [Local Sales Tax Information](#)
 - [Special Local Taxes](#)
 - [Minneapolis Special Local Taxes](#)
-

Nontaxable Sales

Sales of taxable items or services by a nonprofit organization are subject to sales tax unless an exemption applies.

Nonprofit Admissions Tickets

Tickets or admissions to certain nonprofit activities are exempt from sales tax. Examples include:

- Community theater tickets

- Nonprofit museum tickets

Admissions tickets are not taxable if the organization meets the following criteria:

1. Their primary mission is to provide an opportunity for state residents to participate in the creation, performance, or appreciation of the arts.
2. They are one of the following:
 - A 501(c)(3) organization that received at least 5% of its revenue from voluntary contributions in its most recent fiscal year (or current fiscal year if the organization has not completed a full year).
 - A municipal board that promotes cultural and arts activities.
 - Part of a state college or university (including the University of Minnesota), or a private nonprofit college or university that owns the facility where the event is being held.

Examples

- A historical society operating a historically preserved home provides an annual art fair for an additional fee. Art fair admissions are taxable. However, museum admission charges are not taxable if separately stated on the customer bill or invoice.
- A nonprofit museum provides birthday parties for an additional fee. Party charges, such as for pizza and party favors, are taxable. However, museum admission charges are not taxable if separately stated on the customer bill or invoice.

Memberships

Sales of memberships to qualifying “nonprofit organizations offering similar services” to the YMCA, YWCA, or JCC are exempt from sales tax. Nonprofit organizations offering similar services means:

- An exempt organization under section 501(c)(3) of the Internal Revenue Code
- Whose mission is to support youth and families through a variety of activities (including memberships allowing access to athletic facilities)
- Who provide free or reduced-price memberships to seniors or low-income persons or families

The exemption includes one-time initiation fees and periodic membership dues. Previously, only sales of memberships to the YMCA, YWCA, and JCC qualified for the exemption.

Separate charges for access to and use of the organization’s sports and athletic facilities are taxable. For example, swimming pool admissions, racquetball, and tennis court charges are taxable.

Nonprofit Agricultural Heritage Organization Tickets and Admissions Exemption

Tickets or admissions to performances or events held by a nonprofit agricultural heritage organization are exempt from sales tax.

Performances or events must meet all of the following requirements for the exemption:

- Be organized on at least 115 acres
- Educate the public about rural history and farms in Minnesota
- Be sponsored and conducted exclusively by volunteers, employees, and board members
- Be consistent with the nonprofit’s tax-exempt purpose

Fundraising Sales

Minnesota has two different exemptions that may apply to fundraising sales for the following groups:

- Youth and senior citizen groups: Up to \$20,000
- All nonprofit organizations: Up to 24 days per year

To help determine if your sales are taxable, see our fundraising flowcharts:

- [General fundraising sales](#)
- [Youth organization fundraising sales](#)
- [Senior citizen organization fundraising sales](#)

Youth and Senior Groups

This exemption applies to up to \$20,000 in fundraising sales, regardless of the number of days you spend fundraising. (Before Jan. 1, 2015, the limit was \$10,000.)

If you exceed \$20,000 in sales, you must start charging sales tax on your fundraising sales at that point. No tax is due on the first \$20,000.

Note: The limit does not apply to candy sales by a youth group.

Groups That Qualify for the Exemption

This exemption applies to:

- All sales by a nonprofit organization that exists solely to provide educational or social activities for young people primarily age 18 and under.
- All sales by senior citizen groups that limit membership to persons age 55 or older and operate exclusively for recreation and other nonprofit purposes.

Youth Group Definition

For purposes of the \$20,000 limit, a “youth group” is an elementary or secondary school club, association, or other student organizations that is separate from the school district (or school) and exists to provide sports, educational, or other extracurricular activities.

Starting July 1, 2021, sales made by school-associated student groups are exempt from sales tax, even when the money is recorded as part of school district revenues, when all the following apply:

- The sales are for fundraising purposes of elementary or secondary student organizations to fund extracurricular activities such as sports, arts, etc.
- The school district reserves the revenue raised for extracurricular activities
- The money raised for a specific activity is spent on that activity

Note: This restores the exemption that was in place before 2019.

Fundraising Example

- A youth group sells wrapping paper and raises \$21,000. Since the sales are over \$20,000, the \$1,000 is taxable.

Fundraising not Subject to the \$20,000 Limit

Some activities that qualify for this exemption are not subject to the \$20,000 limit. These activities are:

- Candy sales for fundraising purposes by a youth group.
- Sales of tickets or admissions to a Minnesota golf tournament for the benefit of a tax-exempt 501(c)(3) organization. **Note:** This exemption does not apply to green fees, cart rentals, or other charges to golf participants.
- Sales where proceeds are contributed to a registered combined charitable organization (see [Minnesota Statutes 43A.50](#)) and the contributions will be used exclusively for charitable, religious, or educational purposes. **Note:** These sales are subject to the 24-day fundraising limit, described below.

All Nonprofit Organizations

Nonprofit organizations that have 24 days or less of fundraising events in a year qualify for this exemption. If your nonprofit organization qualifies for this exemption, you may sell otherwise taxable goods or admissions at fundraising events without charging sales tax.

Fundraising event means an activity that:

- Is of limited duration
- Is not regularly carried out in the normal course of business
- Attracts people for community, social, or entertainment purposes

Fundraising events do not include business operations that provide services or sell goods during regular hours, such as a bookstore, gift shop, or thrift store.

Examples of fundraising events include:

- Auctions
- Bake sales
- Concerts

Counting the 24-Day Limit

All fundraising event days count toward the 24-day limit.

- Count any days when your organization makes only tax-exempt fundraising sales.
- If your organization has more than 24 days of fundraising events, the sales in the first 24 days are taxable retroactively. You must pay tax on those sales and charge tax on your sales for the rest of the year.
- If your organization takes orders for goods to be delivered in the future, only count the number of days when customer deliveries are made.
- If your organization sells tickets for admissions, amusements, or meals for a fundraising event, only count the days when the activity actually takes place.

Exemption Requirements

To qualify for this exemption, a nonprofit organization and its events must meet all of the following requirements:

- The organization must be a nonprofit that is organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes. None of its net earnings can benefit a private individual.
- All proceeds must only be used for charitable, religious, or educational purposes, minus necessary expenses for the event.
- The organization must keep separate accounting records for each fundraising event, including receipts and disbursements. All expenses must be documented.
- The organization cannot make sales as an active or passive agent of any for-profit organization or person. Otherwise, sales at that event are taxable and the event counts toward the 24-day limit.
- Starting July 1, 2017, the fundraising events cannot be held on premises that are leased or occupied for more than 10 days, but less than 30 days. Otherwise, sales at that event are taxable and the event counts toward the 24-day limit. Previously, the lease could not be over 5 days.
- The organization must bear the financial risk of the event and its net revenue from the event must equal or exceed the total state and local taxes that are exempted. Otherwise sales at that event are taxable and the event counts toward the 24-day limit.
- Charges for admission and use of amusement devices are taxable if the event has bingo or other gambling activities. The event counts toward the 24-day limit (see examples).

Examples

1. A nonprofit organization schedules two fundraising events a year that are seven days each and include bingo. The organization charges admission and sells meals at the events.
 - The admissions charge is taxable because one of the activities at the event is gambling (bingo). But the food sales are not taxable because they qualify for the 24-day fundraising event exemption.
2. A nonprofit organization sells pottery as part of its regular business activities.
 - These pottery sales are subject to sales tax.
3. A nonprofit organization also holds a fundraising event. Tickets for the fundraising event are \$100, which entitles the buyer to a buffet reception and a gift of handmade pottery.
 - For income tax purposes, \$50 of the \$100 ticket price is deductible as a charitable contribution.
 - For sales tax purposes, ticket sales for the fundraising event are exempt if the nonprofit organization does not exceed the 24-day limit. (The fundraising exemption applies here because the pottery is a gift to the ticket buyer and the ticket price is for the buffet reception.)

Note: For purposes of this exemption, lawful gambling activities that occur on a regular basis are not considered fundraising events and do not count towards the 24-day limit.

Gambling Information

Sales or leases of gambling equipment and supplies to organizations that conduct lawful gambling activities are taxable.

Items purchased to be given away as prizes that are won through lawful gambling or the state lottery are taxable when they are purchased.

A nonprofit organization's income from gambling, such as bingo and pull-tabs, is subject to the state's Lawful Gambling Tax. For more information:

- See [Gambling Taxes](#).
 - Call the Gambling Control Board at 651-539-1900.
 - Visit the [Gambling Control Board website](#).
-

Purchases

Items purchased by nonprofit organizations are taxable, unless you have Nonprofit Exempt Status or the item is for resale.

Nonprofit Exempt Status Purchases

If you have Nonprofit Exempt Status

- The exemption is limited to items used to perform the charitable, religious, or educational functions of the nonprofit organization.
- Purchases must be made and paid for directly by the nonprofit organization.
- To claim the exemption, give your supplier a completed [Form ST3, Certificate of Exemption](#).

Note: If your employee purchases taxable items that you later reimburse them for, the items are taxable even if they would be exempt if the nonprofit organization purchased the items directly.

Items That Do Not Qualify for Exemption

The Nonprofit Exempt Status does not apply to purchases of:

- Prepared food, candy, soft drinks, alcoholic beverages, and catered food
- Lodging
- Gambling equipment and supplies
- Most motor vehicle purchases, leases, and rentals (including the 9.2% car rental tax and 5% rental fee)
- Waste collection and disposal services

Purchasing Fundraising Items

Do not pay sales tax on items that are sold for fundraising. Give your vendor a completed [Form ST3, Certificate of Exemption](#). Specify the Resale exemption. Examples include:

- Alcoholic beverages
- Arts and crafts
- Books
- Prepared food
- Soft drinks

If you sell alcoholic beverages at a fundraising event, you must do the following:

- Contact the city office where the fundraising event is located for a temporary retail liquor license
- Purchase your liquor from a licensed liquor distributor

Health Care Facilities

Qualifying health care facilities may be eligible for a sales tax exemption on certain purchases. Examples include:

- Boarding care homes
- Clinics
- Critical access dental providers
- Hospitals
- Nursing homes
- Outpatient surgical centers

For more information, see [Health Care Facilities](#).

Veteran Organizations

Veteran organizations do not qualify for Nonprofit Exempt Status. However, these organizations do qualify for a limited exemption if both of the following apply:

- The organization is organized in Minnesota
- The organization is exempt from federal tax under section 501(c)(19) of the Internal Revenue Code

The exemption applies to purchases for charitable, civic, educational, or nonprofit use. Examples include:

- Educational brochures and posters
- Equipment for youth sports teams
- Flags
- Items given away through programs like Operation Comfort Warriors

To claim the exemption, give your vendor a completed [Form ST3, Certificate of Exemption](#). Specify the Veteran organization exemption.

Taxable Purchases

Not all purchases for a nonprofit organization are exempt from sales tax. Some examples of taxable purchases are listed below.

Taxable Services

Several services are taxable. Examples include:

- [Building Cleaning and Maintenance](#)
- [Detective and Security Services](#)
- [Laundry and Cleaning Services](#)
- [Lawn and Garden Maintenance](#)

For more information, see [Taxable Services](#).

Use Tax

If you buy equipment, supplies, or other taxable items for your business and the seller does not charge Minnesota sales tax, you owe use tax on the cost of the items. If your business is located in an area with a local tax, you may also owe local use tax.

Some common situations where you may owe use tax include:

- You buy taxable items or services online without paying sales tax
- You withdraw an item from inventory to use (instead of selling it), donate, or give away
- You buy taxable items outside of Minnesota
- You buy taxable items in another Minnesota city or county with a lower (or no) local sales tax

For more information, see [Use Tax for Businesses](#) and [Local Sales and Use Taxes](#).

Purchasing Agent Agreements

A building contractor cannot use your nonprofit organization's exempt status to buy materials exempt for use in a lump-sum contract.

However, you may designate a contractor as your purchasing agent, allowing them to make tax-exempt purchases of qualifying materials, equipment, and supplies used to improve real property.

To do this, you must have Nonprofit Exempt Status and the written contract must clearly state the following:

- You appointed the contractor as your purchasing agent
- You take title to all materials and supplies at point of delivery
- You are responsible for the risk of loss on all materials and supplies
- You are responsible for all defective materials and supplies including those incorporated into real property
- These requirements apply to the prime contractor and every subcontractor who supplies both materials and labor.

The purchasing agent exemption does not apply to purchases or leases of equipment a contractor uses to complete the construction contract.

For more information, see [Contractors and Other Property Installers](#) and [Revenue Notice 17-10, Construction Contracts with Exempt Entities](#).

Filing Returns and Record-Keeping

When filing your return, you must report all sales tax collected and use tax you owe.

Filing Returns

When filing your return, you must report all sales tax collected and use tax you owe.

If you are not registered for sales and use tax, you must contact the Minnesota Department of Revenue and register to collect and report taxes. Call Business Registration at 651-282-5225 or 1-800-657-3605 (toll-free).

For more information, see [Sales Tax Return Due Dates](#).

How to Report Sales and Use Tax

You must file a Sales and Use Tax return online through our e-Services system. For more information, see [Filing Information](#).

Record-Keeping

It is important to keep good records to determine the correct amount of state and local tax you owe.

Your records should include:

- bills, receipts, invoices, cash-register tapes, and any other documents that support the entries in your books
- exemption certificates
- shipping documents
- worksheets used to prepare your tax returns

For more information, see the [Sales and Use Tax Business Guide](#).

Legal References and Resources

The legal references and resources related to the Nonprofit Organizations Industry Guide are listed.

Minnesota Statutes

- [Minnesota Statutes 43A.50, Registered and combined charitable organizations](#)
- [Minnesota Statutes 123B.49, Extracurricular activities; insurance](#)
 - [subd. 2, Cocurricular activities authorization](#)
 - [subd. 4, Board control of extracurricular activities](#)
- [Minnesota Statutes 297A.70, Exemptions for governments and nonprofit groups](#)
 - [subd. 4, Sales to nonprofit groups](#)
 - [subd. 5, Veterans groups](#)
 - [subd. 7, Hospitals, outpatient surgical centers, and critical access dental providers](#)
 - [subd. 10, Nonprofit tickets or admissions](#)
 - [subd. 12, YMCA, YWCA, JCC, and similar memberships](#)
 - [subd. 13, Fundraising sales by or for nonprofit groups](#)
 - [subd. 14, Fundraising events sponsored by nonprofit groups](#)
 - [subd. 18, Nursing homes and boarding care homes](#)

Minnesota Rules

- [8130.1200, Sales of building material, supplies or equipment](#)
- [8130.5700, Sales to exempt entities, their employees, or agents](#)
- [8130.6200, Charitable, religious, and educational organizations](#)

Revenue Notices

- [03-14, Nonprofit Admission Ticket and Fund-Raising Sales](#)
- [04-10, Exemption for Fund-Raising Events – Lawful Gambling Activities](#)
- [17-10, Construction Contracts with Exempt Entities](#)

Fact Sheets

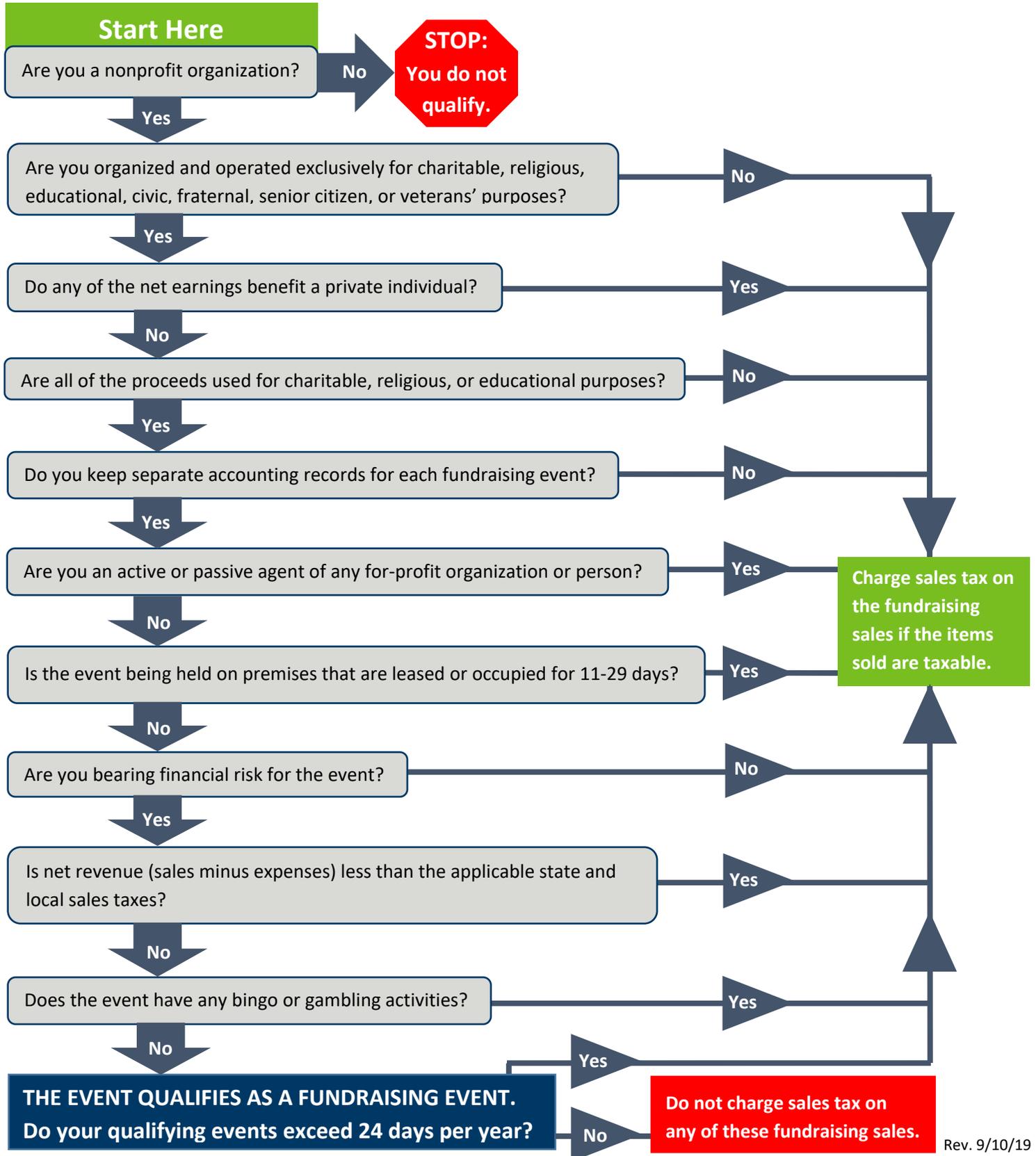
- [Health Care Facilities](#)
- [Local Sales and Use Taxes](#)
- [Sales to Government](#)
- [Schools – Sales and Purchases](#)

Industry Guides

- [Building Cleaning and Maintenance](#)
- [Contractors and Other Property Installers](#)

Do I need to charge sales tax on my fundraising sales?

The information provided is general guidance. For more information on definitions and special circumstances, see the [Nonprofit Organizations Industry Guide](#) on our website. See the [Youth Organization Flowchart](#) if your nonprofit organization is a youth group, consisting of youth primarily ages 18 and younger. See the [Senior Citizen Organization Flowchart](#) if your nonprofit organization is a senior citizen group that limits membership to people ages 55 and older.



Determining if Youth Organization Fundraising Sales Are Taxable

This flowchart will help youth organizations determine if their fundraising sales are taxable. Examples of youth groups include Boy or Girl Scouts, 4-H, summer camps, booster clubs, etc. For more information, see the Nonprofit Organizations Industry Guide.

