

Fundraising and Sales Tax

Introduction

Sales that are made by PTAs at most fundraising events are exempt from Washington State sales tax; however, **if the PTA maintains a “regular place of business” the sales taking place as part of that activity are subject to the sales tax.** The following Frequently Asked Questions is intended to respond to many of the routine questions that PTA Leaders have raised with the Washington State PTA.

What is considered a “regular place of business”?

For purposes of Washington State Sales Tax, a PTA has a “regular place of business,” when it conducts an activity involving sales on a regular recurring basis at a specific location. Examples include a student store and operating a concession stand at sporting events.

If a PTA has a “regular place of business” it is required to **collect sales tax on any sales and send the amount collected to the Department of Revenue unless all three** of the following conditions are met:

- The items that it sells are not subject to tax—prepackaged food items and bakery goods not intended to be eaten on site are not taxable; nor are food items (such as fresh fruit) that have not been combined with other food items into a different product. Because popping popcorn combines the un-popped kernels into a different product, popcorn sales are subject to the retail sales tax.
- The PTA pays sales tax on the items it sells when it purchases them **AND** sells each individual item for the same amount it paid or for a lesser amount; **and**
- The total sales amount for the calendar year is less than \$12,000.00.

If **all three** of these conditions are met, a PTA with a “regular place of business” may contact the Department of Revenue and ask to be placed in an “Active Non-reporting Status” which means it will not be required to file reports on its activities.

What does it mean if our PTA’s popcorn sales does not meet one these three conditions?

A PTA making sales at a regular place of business and which does not meet **all three** of the above conditions will need to file a Combined Excise Tax Return and pay sales tax it did collect or should have collected on its sales.

Our PTA doesn’t have a “regular place of business” but we do have sales at our fundraising events. Are they subject to the retail sales tax?

No. Sales conducted as part of the fundraising activities of PTAs are exempt from both the sales tax and the business and occupation tax unless the sales are part of a “regular place of business.” Your PTA need not collect sales tax nor does it have to file a return with the Department of Revenue. Only those PTAs with a “regular place of business” as described above have to collect sales tax.

Does a PTA with a “regular place of business” have to have a Master Business License to file and pay sales tax?

The Department of Revenue says that PTAs that have a “regular place of business” should obtain a tax registration which requires a Master Business License. However, the PTA can file and pay taxes without a Master Business License, although without a Master Business License, the PTA will not be able to pay

taxes online. A PTA that applies now for a Master Business License will automatically be issued a Reseller's Permit if its applications indicate that it will buy and sell goods.

What about sales of spirit wear—are they subject to the retail sales tax?

It depends on how they're sold. If the PTA acquires a stock of spirit wear and makes it available for sale at a regular place of business on a recurring basis, the sales would be subject to the retail sales tax. On the other hand, if the PTA takes orders for spirit wear items and doesn't use a regular place of business, the sales would be considered a fundraising activity and not subject to the sales tax.

Every local PTA is involved with a particular school, so does that make the school a "regular place of business"?

No. The fact that the PTA is associated with the school (and not every PTA is) does not make the school a "regular place of business." An example of a regular place of business within a school would be a student store.

Does a PTA have to pay sales tax on items it purchases for the purpose of reselling?

No. Regardless of whether the resale activity is part of a "regular place of business" or an exempt short-term fundraising activity, the PTA can avoid paying sales tax when it purchases the items for resale by presenting a Washington State Reseller's Permit. A PTA can apply for the Reseller's Permit online, at this link: <http://dor.wa.gov/Docs/forms/Misc/AppWaStateResellerPermit.pdf>. If the PTA applies for a new Master Business License it should automatically be issued a Reseller's Permit. Keep in mind that the Reseller's Permit is only applicable for items that are to be resold. PTAs are required to pay sales taxes on items that are consumed by the PTA (such as napkins for a dinner or prizes for a carnival). If sales tax was paid on items that were or are going to be resold at the time of purchase, a "Taxable Amount for Tax Paid at Source" deduction should be claimed under the retail sales tax section on the Combined Excise Tax Return. In the alternative, the PTA can apply to the Department of Revenue for a refund of the sales taxes paid at the time of purchase..

How does the PTA that conducts a "regular place of business" determine the applicable sales tax rate?

The state sales tax rate is .065, but everywhere in the state there are local sales taxes that must also be collected. You can look up the rate for your locality on the Department of Revenue website at this link: <http://dor.wa.gov/content/findtaxesandrates/salesandusetaxrates/lookupataxrate/default.aspx>.

You can also go to the Department's website (www.dor.wa.gov) and click on "sales and use tax rates" or call the Department at **1-800-647-7706**. Note that technically the sale takes place where the goods are actually delivered, so be sure to use that address because the rates vary from city to city.

Our PTA is located in King County and our "regular place of business" includes food sales—do we have to pay the King County Food & Beverage tax of .005?

No. The King County tax applies to "restaurant, bar and tavern food and drink sales" and unless your food sales falls into one of those categories, the tax does not apply to your PTA's food sales. No other county in the state has a separate food and beverage tax.

Does a PTA have to file a return with the city or county to pay the local sales tax?

Most local sales taxes are reported and paid to the Department of Revenue using the Combined Excise Tax Return. You will need to know the applicable local rate in order to complete the return, and that information is available on the Department of Revenue website. You should only need to send one check to the Department of Revenue, who will then send the applicable city and/or county their respective shares of the amount paid.

How often is a PTA that has a “regular place of business” required to file tax returns?

If the total expected **sales tax** for the year is less than \$1050 (depending on the rate in your locale this would reflect **total sales** of between \$10,600 and \$15,000) then the PTA need only file once a year. If the expected sales volume is higher than that the PTA must file quarterly.

When are the returns due?

Annual returns must be paid or postmarked on January 31st of the following year. Quarterly returns must be paid or postmarked on the last day of the month following the end of the quarter. When the due date falls on a Sunday or holiday, the next business day becomes the due date.

Where do I find the form to file and pay taxes due to the Department of Revenue?

You can download the form, called the “Combined Excise Tax Return” from the Department of Revenue’s website [here](#). You can also go to the Department’s website (www.dor.wa.gov) and click on “Get a form or publication” or call the Department at **1-800-647-7706**. As noted above, the Department of Revenue says that you must first obtain a tax registration with the Department before filing tax returns. However we are aware of PTAs that have filed their tax returns without obtaining a Master Business License.

How do I find my PTA’s Tax Registration Number to put on the Combined Excise Tax Return?

The “tax registration number” is your PTA’s UBI number, which you should have in your incorporation records. You can also look it up by searching for your PTA on the Secretary of State’s webpage [here](#).

What address should I put on the Combined Excise Tax Return? For the PTA’s address, use either the PTA’s permanent address, the address of the person completing the form, or if WSPTA is your PTA’s registered agent, you may use 2003 65th Avenue W, Tacoma WA 98466.

Is a PTA that has a “regular place of business” also subject to the state Business & Occupation Tax?

Theoretically, yes. However, there is a small business credit that eliminates any tax liability if the annual sales are less than \$89,000.

Is the PTA required to report our retail sales on lines 16 of the Combined Excise Tax Return, which is the section dealing with the B& O tax?

Yes, and you multiply that amount by the amount in column 4 and put the result in column 5. However, you should also claim the small business credit on line 64 on page 2. Assuming the proceeds of your PTA’s sales activities at its “regular place of business” are less than \$89,000 the PTA will not be liable for any B&O tax because of the small business B&O tax credit.

We have a “regular place of business” and we conduct sales at our periodic fund-raising events—do we have to collect and pay sales tax on the sales at both?

No. Even if your PTA has a “regular place of business” the sales at its occasional fund raising events remain exempt from the sales tax. Only those sales that are part of a “regular place of business” are subject to the sales tax.

We paid sales tax on some of the items that we sold in our “regular place of business” when we purchased them; how do we claim a credit for that amount on the Combined Excise Tax Return?

On page 4 of the Combined Excise Tax Return, there’s a chart in the upper right hand part of the page with the heading “Line 17 – Retail Sales Tax.” Halfway down that chart there’s a line titled “Taxable Amount for Tax Paid at Source” (the number 130 is in the column to the right labeled “I.D.”) Under the amount on that line, put in the amount that the PTA paid for items that were sold on which sales tax was paid, but do not include the sales tax amount itself. For example, if your PTA purchased bags for popcorn sales for \$10.00, and paid 93 cents sales tax on that purchase, you would enter the \$10.00, but not the 93 cents. That same amount should be put on page 1, line 17, Column 2 as a deduction, and then subtracted from the amount in Column 1 to determine the Taxable Amount in Column 3. You can find more information about how to do this on the Department of Revenue’s website [here](#). Keep in mind that only items sold are subject to this deduction; using the popcorn example, the paper towels that volunteers used to clean up the machine after the sale are not being sold, so the amount paid for them should not be claimed.

Our PTA didn’t collect sales tax on sales at our “regular place of business” so how do we calculate how much we report as sales?

First, find out the total state and local sales tax rate from the Department of Revenue website (<http://dor.wa.gov/content/findtaxesandrates/salesandusetaxrates/lookupataxrate/>) using the address where the sales took place. Then to calculate how much of the total sales proceeds was for the items sold and how much was sales tax, there are two choices:

(1) Add 1 to the rate, and divide your total income from sales by the result (for example, at the State PTA Office in Tacoma, where the tax rate is .093, we would divide the total sales income by 1.093); the result (rounded to the nearest penny) is the amount that should be reported on the return, lines 16 and 17, as the proceeds of retail sales. Subtract that amount from the total amount received from sales, and the difference is the tax due on that volume of sales. For example, again using the State PTA Office in Tacoma as an example, if the total income from sales is \$2,000, we would divide that by 1.093 (1 plus the combined state and local tax rate) and the result (rounded to the nearest penny) is \$1,829.83, which is the amount we would report as sales proceeds. The remaining amount of \$170.17 is the amount of sales tax.

(2)The PTA can report the total receipts as sales and pay at the applicable rate on that amount, but would be slightly overpaying what is actually due. Again using Fircrest as an example, if the total volume of sales were \$2,000, applying the .093 rate to the full \$2,000 would yield a tax of \$186.00 while the tax due using option 1 above would be \$170.17. If we used the second option we would be paying more than \$15 more than legally required. Not a huge difference but it is a difference.

What amount do I claim for the small business credit for the Business and Occupation tax on page 2, Line 64 of the Combined Excise Tax Return?

Assuming the total sales reported in page 1, Line 16, column 1 of the Combined Excise Tax Return is less than \$89,000 per year, the small business credit on page 2, Line 64 is equal to the amount of the B&O tax due on page 1, line 16, column 5. The amount of the credit is also to be entered on page 1, line 32, and subtracted from the subtotal on line 31. The result should be that the amount of tax due on Line 33 is the same as the amount in column 5 on Line 17.

I see there is a place on the Combined Excise Tax Return form for reporting the proceeds of gambling activity. Do I have to report the results of gambling activities (card games, raffles, etc.) on the Combined Excise Tax Return?

No. Because the kind of gambling activities that a PTA can legally conduct are by definition not a “regular place of business,” the proceeds from such activities do not have to be reported.

How do I determine the local sales tax that is due?

You can look up the rate for your locality on the Department of Revenue website at the following link: <http://dor.wa.gov/content/findtaxesandrates/salesandusetaxrates/lookupataxrate/>. You can also go to the Department’s website (www.dor.wa.gov) and click on “sales and use tax rates” or call the Department at **1-800-647-7706**. Be sure to use the address where the sales take place (i.e. where the goods are delivered to the buyer) because the rates vary from location to location.

Is the Combined Excise Tax Return for the calendar year of January to December?

Yes, you will need to report the sales for the entire calendar year, which includes the last fiscal year’s figures for the January 1 to June 30 period as well as the July-December figures for the current fiscal year.

I looked at our records and our PTA hasn’t filed and reported correctly in previous years; will the PTA have to pay a penalty and interest?

If the 2009 taxes were paid on time (i.e. postmarked before February 1, 2010), there should be no penalty or interest for that year. **If the failure to file and pay sales taxes for 2009 or previous years is discovered by an audit conducted by the Department of Revenue, the PTA will be required to pay the taxes that should have been collected and will also be subject to penalties and interest.** The PTA can avoid penalties if it makes a Voluntary Disclosure and pays the sales tax that should have been included in the previous four years. However it may be required to pay interest on the back payment amount. More information on the Voluntary Disclosure Process is available [here](#), or you can call the Department of Revenue at **1-800-647-7706**.

Do these rules apply only to the PTA; for example are sales by a school considered taxable? Sales made by public agencies, including schools, are subject to the sales tax on the same basis as private businesses. The exemption for sales made as part of **short-term fundraising activities** is unique to non-profit corporations, such as PTAs and PTSAs that are exempt from federal income tax under Section 501(c)(3) or (4) of the Internal Revenue Code.

How do I fill out the paper Application for a Washington State Reseller Permit?

Your PTA’s business name would be the corporation name. For the PTA’s address, use either the PTA’s permanent address, the address of the person completing the form, or if WSPTA is your PTA’s registered agent, you may use 2003 65th Avenue W, Tacoma WA 98466. The Business Description would be Service & Other Activities.

Business Description of Activities would be something like this statement: “We are a 501c3 or 501c4 organization and doing short term fundraising that will support education and students of [name of your school and/or community].”