



Fundraising and Sales Tax

Introduction

Sales that are made by PTAs at most fund-raising 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.

After reviewing this information you should know whether your PTA is required to file a tax return and pay sales tax to the state of Washington. Instructions for completing the appropriate tax return are available on the WSPTA website at the following link:
http://www.wastatepta.org/leadership/pta_law/law_index.html

1. 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. 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 all taxable sales and send the amount collected to the Department of Revenue unless one of the** following conditions is met:

- a. The PTA sells **only** items that are not subject to tax at its “regular place of business. 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. **[NOTE:** Because popping popcorn converts un-popped kernels into a different product, popcorn sales are subject to the retail sales tax.]

Or

- b. For those items that are subject to 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.

If either of these conditions is met, **and** the PTA’s total sales volume for the year is expected to be less than \$28,000, the PTA 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. However, this status is **not** available if the PTA has any taxable sales, regardless of the amount.

2. Our PTA has regular popcorn sales but barely makes expenses; do we have to collect sales tax?

A PTA having regularly scheduled popcorn sales – even if the schedule is as infrequent as monthly or bi-weekly—would be making sales of a taxable item at a “regular place of business.” Even though the sales volume may be low, if the sales activity does not meet the above conditions the PTA should collect sales tax and file a tax return and pay the sales tax it collected or should have collected on the sales. The fact that the PTA may not be making a profit on the sales—or is losing money—does not relieve it from collecting and paying the sales tax.

3. 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 short-term occasional 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 and file returns with the Department of Revenue.

4. 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 on a recurring basis, the sales would be considered a “regular place of business” and subject to the retail sales tax. On the other hand, if the PTA takes individual orders for spirit wear items and doesn't have an ongoing sales activity, the sales would be considered a fund-raising activity and not subject to the sales tax.

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

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.

6. Is a PTA that has a “regular place of business” also subject to the state Business & Occupation (B&O) Tax?

Theoretically, yes. However, there is a small business credit that eliminates any tax liability if the annual sales are less than \$89,000. A PTA that is required to collect and pay sales tax will have to complete the section of the tax return relating to the B&O tax, but unless its annual sales exceed \$89,000, it will not pay any B&O tax.

7. 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 fund-raising activity, the PTA can avoid paying sales tax when it purchases items for resale by presenting a Washington State Reseller Permit. You can apply for the Permit online, at this link:

<https://fortress.wa.gov/dor/efile/Content/DoingBusiness/MyAccount/FortressLogon/Default.aspx> (free registration required). If the PTA applies for a new Business License it should automatically be issued a Reseller's Permit. (See Question 12 below regarding applying for a Business License) If sales tax was paid at the time of purchasing items that for resale, there are two ways to obtain a refund. First if the PTA is filing a Consolidated Excise Tax Return, it can claim a "Taxable Amount for Tax Paid at Source" deduction. In the alternative, the PTA can apply to the Department of Revenue for a refund. 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 used by the PTA (such as napkins for a dinner or prizes for a carnival).

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

Your PTA's business name would be the corporation name. The Business Description would be Service & Other Activities. Business Description of Activities would be something like this statement: "We are a [501(c)(3) or 501(c)(4)] organization doing short term fundraising that will support education and students of [name of your school and/or community]." For the PTA's address, use either the PTA's permanent address (such as a post office box), 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. Note that any notices from the Department of Revenue regarding your taxes will probably be sent to the address that you enter on the form. One of the benefits of being associated with PTA is that WSPTA will serve as registered agent for your PTA. More information about what that means is available in the Leadership Packet provided to each local unit, or on the Leadership Resources section of the WSPTA website, [here](#).

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

The state sales tax rate is .065 (six and ½ per cent), 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: Technically the sale takes place where the purchased item or items are actually delivered, so be sure to use that address because the rates vary from location to location.]

10. 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.

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

No. Local sales taxes are reported and paid to the Department of Revenue using the Retailing and Other Activities Return (see Question 15 below). You will need to know the applicable local rate in order to complete the return, but you will only need to send one check to the Department of Revenue, which will then send the applicable city and/or county its share of the taxes collected. You should check with your local city or county to see if it has B&O or other tax that may apply to your PTA's activities.

12. Does a PTA with a "regular place of business" have to have a Business License (formerly called 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 Business License. You can apply for a Business License online on the Department of Revenue's website, <http://bls.dor.wa.gov/file.aspx>. There is a one-time application fee of \$15.00. It is possible to file and pay taxes without a Business License—however, it's our understanding that you will not be able to file and pay taxes online without a Business License, and a PTA that applies for a Business License will automatically be issued a Reseller's Permit. We have been advised by the Department of Revenue that a PTA without a Business License can pay taxes using the "Consumer Use Tax Return", available [here](#). If you choose to use this form (which is designed for a different purpose), when you see "purchase" or "purchased" on the form, strike it out and substitute "sale" or "sold." Otherwise the form will not make any sense when used for this purpose.

13. 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 tax 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.

14. 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.

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

You can download the form, called the "Retailing and Other Activities Return" from the Department of Revenue's website at this link: http://dor.wa.gov/Docs/forms/ExcsTx/RTLReturns/RTL_11_A.pdf. 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 (which is free with the Business

License) before filing a tax return. However we are aware of PTAs that have filed their tax returns without obtaining a Business License. NOTE: There is another, more complicated form called the “Combined Excise Tax Return” that can also be used. If you receive such a form from the Department of Revenue you may use it or download the Retailing and Other Activities Return, which is a little easier to complete. The Washington State PTA has instructions on completing the Combined Excise Tax Return that can be provided upon request by emailing wapta@wastatepta.org.

16. How do I find my PTA’s Tax Registration Number to put on the Retailing and Other Activities Return?

The “tax registration number” is your PTA’s Uniform Business Identification or UBI number, which should be in your incorporation records. It is also available on the “Legal Information” sheet that WSPTA included with your unit’s Leadership Packet, and on your unit’s portal to the WSPTA Membership Database. You can also search for your PTA on the Secretary of State’s website [here](#), or the Department of Revenue’s website [here](#).

17. I see there is a place on the Retailing and Other Activities 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 Retailing and Other Activities 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.

18. 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/>), using the address where the sales took place. Then to calculate the total sales proceeds for the items sold and how much sales tax due, there are two choices:

Option (1) Add 1 to the total state and local tax rate, and divide your total income from sales by the result (for example, at the state office in Fircrest, where the combined 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 Retailing and Other Activities Return on page 2, line 6, as the gross amount received from retail sales. Assuming there are no allowable deductions (see page 4, item 6) this is also the Taxable Amount. You then apply the applicable state and local rates to determine the amounts of sales tax due in each category on the following lines. For example, for sales at the state office, if the total income from sales is \$2,000, we would divide that amount 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. Multiplying that amount by the state rate of .065 yield a state tax of \$118.94, and

multiplying the same amount by the local rate of .028 generates a local tax due of \$51.23.

Option (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 .065 rate to the full \$2,000 would yield a tax of \$130, and the local rate of .28 would yield a local tax of \$56, for a total tax liability of \$186, but the total tax due using option 1 above would be \$170.17. Thus If we used the second option we would be paying more than \$16 more than legally required; not a huge difference but a difference nonetheless.

19. Is the Retailing and Other Activities Return for the calendar year of January to December?

Yes, you will need to include the entire calendar year, which include the previous fiscal year's figures for the January 1 to June 30 period as well as the July – December figures for the current fiscal year.

20. 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 2011 taxes are paid on time (i.e. postmarked before February 1, 2012), there should be no penalty or interest for that year. **If the failure to file and pay sales taxes for 2010 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 during the past seven years and will also be subject to penalties and interest.** The PTA can avoid some of the penalties in 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**.

22. Do these rules apply only to the PTA—for example are sales by a school subject to the sales tax?

Sales made by public agencies, including schools, are subject to the sales tax on the same basis as private businesses. The exemption from sales tax 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.