

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 raise each year.

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 Treasurer/Board Finance Resources of the WSPTA website.

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 student store or ongoing sales of spirit wear if inventory is kept on hand.) The PTA must collect sales tax and file a report with the Department of Revenue unless all three of the following conditions are met:

- PTA pays sales tax when purchasing goods for sale; **and**
- PTA sells each item for the same or lesser amount as that paid when purchasing them; **and**
- PTA’s gross receipts from this activity are less than \$28,000 per calendar year.

If all three conditions are met, the PTA can write to the Department of Revenue and ask to be placed on the “Active/Non-reporting” filing status. NOTE: The exemption from paying sales tax on items purchased for resale applies whether the items are purchased for a “fund-raising event” or a “regular place of business.”

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.

Note: Because popping popcorn converts un-popped kernels into a different product, popcorn sales are subject to the retail 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 (B&O) 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 are required 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. However, 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 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. The state imposes a business and occupation (B&O) tax on business income, including businesses operated by nonprofits (dues excluded). However, nonprofits' fundraising income is exempt from B&O tax unless they operate a "regular place of business," such as a student store or other activity that takes place on a regularly recurring basis throughout the year. Even for a "regular place of business," there is a credit for small businesses such that PTAs that have student stores or other ongoing activities would not have to pay B&O tax unless they have sales of more than \$85,000 per year.

7. Is a PTA required 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.

If the PTA applies for a 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 will be 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.

Note: *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 complete the Washington State Reseller Permit application?

There is no longer a paper Reseller Permit application, this can only be completed online. You can apply for the reseller permit online (free registration required). 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, use:

Washington State PTA
15 Oregon Avenue, Suite 202
Tacoma, WA 98409-7463

Note: *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.*

9. How does a PTA that has a “regular place of business” determine the applicable sales tax rate?

The state sales tax rate is .065 (six and ½ percent), but everywhere in the state there are local sales taxes that must also be collected. The tax rate of your local city can be found on the Department of Revenue website or call the Department of Revenue: (800) 647-7706.

Note: *Technically the sale takes place where the purchased item or items are 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 fundraising events – do we need to collect and pay sales tax on the sale of both?

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 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.

11. Is a PTA required to file a return with the city or county to pay the 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 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. Is a PTA with a "regular place of business" required to have a 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. A Business License can be obtained from the Department of Revenue, Business Licensing Service for \$19. You can apply for a Business License online on the Department of Revenue's website. This automatically gives the PTA a reseller's permit, and makes it eligible to file and pay taxes online. Most cities require a city Business License for any nonprofit conducting any activity and especially if the PTA is conducting a licensed or non-licensed gambling activity. If the PTA conducts any activity where they must collect sales tax, the PTA must file a business license application and register with the Department of Revenue to file and pay taxes.

It is possible to file and pay taxes without a business license; however, it is understood that you will not be able to file and pay taxes online without a business license.

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 by January 31 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 to I find the form to file and pay taxes due to the Department of Revenue?

You can download a form, from the Department of Revenue's website or call the Department of Revenue: (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, it is known that some PTAs have filed their tax returns without obtaining a Business License.

16. How do I find my PTA's Tax Registration Number to put on my Sales Tax Return?

The "tax registration number" is your PTA's Uniform Business Identification or UBI number, which should be in your incorporation records. You can also search for your PTA on the Secretary of State's website or the Department of Revenue's website.

17. There is a section on the Retailing and Other Activities Return form of reporting the proceeds of gambling activities. Is our PTA required 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". How do we calculate how much we report as sales?

To determine the total state and local sales tax rate visit the Department of Revenue website and use the address where the sales took place. Then to calculate the total sales proceeds for the items sold you can use the Sales Tax De-Calculator found at <http://www.csgnetwork.com/salestaxcalc.html>. Enter the "Total Sales Price Including Tax", then enter "Sales Tax Percentage" and click "Calculate".

19. Is the sales tax return calendar year January to December?

Yes, you will need to include the entire calendar year, which includes 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. After looking at our records, it was noticed that our PTA has not filed and reported correctly in previous years. Will our PTA have to pay a penalty and interest?

If the current taxes are paid on time (i.e. postmarked before February 1 of the following year), there should be no penalty or interest for that year. If the failure to file and pay sales taxes for 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 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. For the Voluntary Disclosure Process, visit the Department of Revenue's website or call the Department of Revenue: (800) 647-7706.

21. Do the 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.