

Sales Tax Informative Fact Scenarios

Non-profit entities engaged in retail sales of any kind are required to have a Sales Tax License, which must be filed with the Michigan Department of Treasury.

Sales of tangible personal property and services to qualified tax exempt entities for their own use and consumption, but not for resale, are exempt from sales tax.

These scenarios presume the parent or booster organization is a tax exempt entity.

Scenario #1

A parent or booster organization sells food, not for immediate consumption, but for consumption at the purchaser's home.

Result: Food sales for home consumption is not taxable.

Scenario #2

Company offers candy, mugs and wrapping paper to a parent or booster organization for fund raising purposes. The parent or booster organization solicits orders, and submits its orders to Company. Company fills the orders and sends the merchandise to the fund raising organization for distribution.

Result: The parent or booster organization is acting as a representative of the company, and unless otherwise provided, the company is responsible for sales tax on the gross proceeds from the sale of candy for immediate consumption, the sale of mugs and the sale of wrapping paper.

Scenario #3

A parent or booster organization purchases merchandise by the case. After making fund raising sales to the general public, the organization may return any unopened cases for credit or refund.

Result: In this situation, the organization purchasing the goods from the company is deemed to be purchasing for resale. Therefore, sales made by the fund raising organization are retail sales subject to sales tax. (To place sales tax responsibility on the selling company, a parent or booster organization must include on the purchase documents its sales tax number and the statement "For Resale at Retail.")

Scenario #4

A parent or booster organization organizes and operates a bazaar, garage sale, etc. as a fund raiser.

Result: Retail sales of new or used tangible personal property are subject to Michigan sales tax. (This also includes direct sales for wrapping paper, bows, mugs, books, flowers and stationary.)

Scenario #5

A parent or booster organization sells coupon books or discount cards and donated certificates from local merchants.

Result: There is no sales tax due on donated discount coupons from merchants. (Not tangible personal property.)

Scenario #6

A parent or booster organization organizes a walk-a-thon or swim-a-thon in which donations are collected.

Result: The parent or booster organization is not responsible for sales tax on the donations made for walk-a-thons, swim-a-thons, etc. (Not tangible personal property.)

Scenario #7

A parent or booster group organizes an auction of donated tangible personal property.

Result: The revenue commissioner has ruled that sales tax is due on the fair market value of the goods sold, unless the winning bid is less than the fair market value, and then tax is due only on the bid amount.

Scenario #8

A parent or booster organization organizes a dinner for the benefit of the organization members or volunteers, etc., at no cost to those attending the dinner.

Result: Sales tax is not required for catered meals sold to the qualified exempt entity so long as the meal is "not for resale." (If the meal is for resale, the fair value of the meal is taxable and sales tax is due.)

Scenario #9

A parent or booster organization organizes a spaghetti dinner fund raiser and the meals are not catered, but prepared by the organization.

Result: The sale of food at a dinner or luncheon is deemed a "sale at retail" and the gross proceeds are subject to sales tax.

Scenario #10

A parent or booster organization purchases athletic equipment to be donated to the school for the school's athletic programs.

Result: So long as the booster organization is a tax exempt entity, the acquisition of personal property is exempt from sales tax because the merchandise is intended to be used by the exempt organization's beneficiaries/members.

Scenario #11

A parent or booster organization offers a summer athletic camp. As part of the camp fee, each student is provided a camp t-shirt. Is the t-shirt subject to sales tax?

Result: If the t-shirt is provided to all students as a part of the camp experience, and the t-shirt is not an optional purchase to the attendee, the t-shirt is not subject to sales tax.

Scenario #12

A parent or booster organization prepares a family directory and sells those directories to families for the cost to produce the directory, or, alternatively, the cost plus a small profit.

Result: The entire sale price is subject to sales tax, regardless of whether the sale price included a profit.

Scenario #13

A parent or booster organization offers an item in exchange for a fixed or recommended "donation."

Result: If tangible personal property is exchanged for consideration, sales tax applies, even if the purchase price was called a "donation."

Scenario #14

A parent or booster organization sells candy and other food at a concession stand at an athletic event or other activity.

Result: Sales of candy as part of a fundraiser are not taxable if not sold for immediate consumption. But concession stand sales are deemed for immediate consumption and are subject to sales tax.

Scenario #15

A parent or booster organization purchases merchandise by the case for resale at a profit.

Result: In this situation, the organization purchasing the goods from the company is deemed to be purchasing for resale. Therefore, sales (the entire sale price, not just the profit) made by the fund raising organization are retail sales subject to sales tax. However, to avoid paying sales tax to the vendor, the fundraising organization should provide the vendor with a completed Michigan Sales and Use Tax Certificate of Exemption (which can be downloaded from the following website: www.michigan.gov/treasury) at the time of purchase.

Scenario #16

A booster group sells ice cream sundaes to student during lunch. An ice cream bar is set up and the students make their own sundaes.

(1) Booster group purchases all sundae materials, sets up and operates the bar and collects money from students.

(2) Outside vendor purchases all sundae materials, sets up and operates the bar and collects money from the students, then gives some proceeds to the booster group.

(3) Outside vendor purchases all sundae materials, sets up and operates the bar, but booster group collects money from the students. Booster group splits the proceeds with the outside vendor.

Result: (1) Booster group must collect and pay sales tax. (2) Outside vendor (not the booster group) must collect and pay sales tax. (3) Booster group must collect and pay sales tax.

Scenario #17

A booster group holds a dance at the school for students. Students purchase tickets from the booster group. Ticket cost includes admission and music by a DJ. Booster group is not selling concessions, but students can purchase concessions from the school's concession stand.

Result: Booster group is not required to collect or pay sales tax on the tickets. They are not receiving tangible goods in exchange. (The school, not the booster group, must collect and pay sales tax on the concession sales.)

Scenario #18

A booster group will operate a "shopping night" at the high school gym.

(1) Booster group rents tables to vendors who sell their own goods and keep all proceeds.

(2) Booster group rents tables to vendors who sell their own goods and pay booster group a percentage of their proceeds.

(3) Booster group does not rent tables. Vendors bring their own tables, sell their own goods and give booster group a percentage of proceeds.

Result: (1) Booster group does not have to collect or pay sales tax on table rental fees. Rent is not a sale of tangible goods. (2) For the same reason, booster group does not have to collect or pay sales tax. (3) The vendors (not the booster group) is responsible in all three scenarios to collect and pay their own sales tax.

Scenario #19

A booster group organizes and runs a cocktail party and dance for adults at a local golf club. Tickets are sold by the group. Ticket prices include admission, music, dancing and hors d'oeuvres. (Guests buy their own drinks directly from the golf club.)

Results: Booster group must collect and pay sales tax on the portion of the ticket price that relates to the food provided at the event (not the whole ticket price).