

Exempt Entities

This fact sheet was written to provide an overview of information concerning the treatment of sales and use tax as they relate to exempt entities.

What kinds of entities are exempt from sales tax?

Common entities exempt from sales tax on purchases for their own use include:

- Divisions of the federal government, the state of Mississippi, and counties and cities within Mississippi
- Mississippi public schools and private non-profit schools (*does not include daycares*)
- Non-profit agencies that are specifically exempt from tax according to Mississippi sales tax law. Examples include but are not limited to the Muscular Dystrophy Association, Salvation Army, and the Diabetes Foundation of Mississippi.

For a comprehensive list of exempt entities, please see the 'Sales Tax Exemptions' page at www.dor.ms.gov or refer to Miss. Code Ann. Sections 27-65-101 through 27-65-111.

Are non-profit or government entities required to collect and remit sales tax on items they sell?

Non-profit organizations conducting activities in competition with privately owned businesses are considered to be doing business in Mississippi. Non-profit and government entities in the business of selling taxable products or services must have a sales tax permit and collect and remit the appropriate sales tax. The U.S. Government is not required to collect sales tax on taxable sales.

What about non-profit entities holding occasional fundraising events?

Any charitable fund raising events that are open to the public and sponsored, organized or hosted by nonprofit civic, fraternal, educational, religious or charitable organizations are exempt from tax on the gross income received from admissions charges, however, sales or use tax is due on any purchases or donations made for the event unless the entity making the purchases is specifically exempt from sales tax. Food, drinks, and supplies purchased for the event are taxable on the purchase price or cost. The tax must be paid to the vendor at the time of purchase or paid directly to the Department of Revenue on the cost of items brought into this state. Retailers donating food or drink for the event are considered to be withdrawing inventory from their stock and owe sales tax on the cost of the donated food and drink.

Note: Entities that are specifically exempt from sales tax may purchase food or drink exempt for fund raising events. Mississippi sales tax law exempts sales of tangible personal property made for the sole purpose of raising funds for a school or an organization affiliated with a school.

Are churches exempt from sales tax?

Churches are not exempt from sales tax; however, churches are exempt from Mississippi sales tax on utilities and use tax on purchases of religious literature. For more information on tax treatment for churches in Mississippi, please see our MDOR Churches Fact Sheet.

Are sales to federal, state, county, and city governments exempt from sales tax?

Sales of property, labor or services sold to, billed directly to, and paid for directly by the United States Government, the state of Mississippi and its departments, institutions, counties and municipalities or departments or school districts of its counties and municipalities are exempt from sales tax. Sales to government employees are taxable regardless of the fact that the employees may be reimbursed by the government for the expenses incurred. This exemption does not apply to other states or foreign countries. The exemption from sales tax does not apply to sales of tangible personal property, labor or services purchased by contractors in the performance of contracts with the United States, the state of Mississippi, counties and municipalities.

Does the Mississippi Department of Revenue accept blanket certificates as valid letters of exemption?

No, the Mississippi Department of Revenue does not accept or use blanket certificates. A customer may provide a valid letter of exemption issued by the Mississippi Department of Revenue such as, a Sales Tax Permit, a Material Purchase Certificate, a Direct Pay Permit or a Letter Ruling to substantiate the exemption.

