

# Nonprofit organizations

In Washington, nonprofit organizations are generally taxed like any other business. They must pay business and occupation (B&O) tax on gross revenues generated from regular business activities they conduct. They must pay sales tax on all goods and retail services they purchase as consumers, such as supplies, lodging, equipment, and construction services. In addition, nonprofit organizations must collect and remit retail sales tax on their sales of goods and retail services.

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## [Nonprofit Property Tax Exemption Search](#) <sup>[1]</sup>

## Overview

### What is a nonprofit organization?

An organization may be considered a “nonprofit” organization because:

- It is formed under the Washington nonprofit corporation act,
- It qualifies as a nonprofit for federal tax purposes, or
- It is a church, charity, or benevolent organization.

However, for Washington state tax purposes, all such organizations are taxed in the same manner as for-profit organizations.

### Additional related topics:

- [Nonprofit consumable purchases](#)
- [Sales to schools, government, churches, and other organizations](#)
- [Nonprofit registration requirements](#)

### Does the law provide any tax exemptions for nonprofit organizations?

Limited exemptions are provided for:

- [Nonprofit fundraising activities](#)
- [Donations](#)

Limited B&O or retail sales tax exemptions may be available to certain nonprofit organizations:

- Youth character building organizations ([RCW 82.04.4271](#) <sup>[2]</sup>) ([RCW 82.08.0291](#) <sup>[3]</sup>)
- Student loan debt and guarantee organizations ([RCW 82.04.367](#) <sup>[4]</sup>)
- Credit and debt counseling services ([RCW 82.04.368](#) <sup>[5]</sup>)
- Organizations operating sheltered workshops ([RCW 82.04.385](#) <sup>[6]</sup>)
- Certain fraternal and beneficiary organizations ([RCW 82.04.370](#) <sup>[7]</sup>)

## Registration requirements

### Who must register with the Department of Revenue?

If a nonprofit organization conducts taxable business activities in Washington, or if it is required to collect retail sales tax or any other tax or fee administered by the Department, then it must register.

### Are there any exceptions to registration?

Yes. Qualifying nonprofit organizations only conducting [fundraising](#) activities that do not constitute the operation of a regular place of business are not required to register with the Department of Revenue.

In addition, organizations that have gross income of less than \$12,000 per year and that aren't required to collect sales tax or any other tax or fee administered by the Department are also not required to register with the Department.

### How does my organization register with the Department?

If your organization conducts taxable business activities in Washington, it must register. If your organization does not have a Unified Business Identifier (UBI) number and it is a corporation, limited partnership (LP), limited liability company (LLC) or limited liability partnership (LLP), you should first contact the [Secretary of State](#) <sup>[8]</sup> for information on registering.

A UBI number is a nine-digit number that is also your Department of Revenue account ID. Sole proprietorships and general partnerships can begin by completing a [Business License Application](#) <sup>[9]</sup>.

Once registered, you will receive a business license and UBI number from the Business Licensing Service. The Department will mail excise tax returns to you based on your assigned filing frequency (annual, quarterly, or monthly).

### What if my organization already has a UBI number?

Even though your nonprofit has a UBI number, it may not be registered with the Department of Revenue. If you didn't check the "Tax Registration" box under the Licenses and Fees section of the Business License Application, then you are probably not registered with the Department of Revenue. If you are unsure

whether your UBI number is also opened with the Department, please contact us.

(See [Register My Business](#) <sup>[10]</sup> for more information.)

## Purchases of consumable supplies, equipment, furniture, and retail services

Washington State law does not give nonprofit organizations a blanket sales tax or use tax exemption. Generally, nonprofit organizations are taxed like any other consumer or business on their purchases or rentals of consumable supplies, furniture, equipment, and retail services. Nonprofit organizations must pay sales tax to the seller at the time of purchase. You pay use tax when the seller does not collect sales tax at the time of sale (for example, items purchased over the Internet and by mail order.) Use tax is paid on the Excise Tax Return or on the Consumer Use Tax Return.

Examples of goods and services subject to sales/use tax include:

- office supplies
- kitchen supplies
- cleaning supplies
- equipment (i.e., appliances, computers, tools)
- office and facility furnishings
- vehicles and parts
- hospitality services (meals, lodging, catering)
- landscaping services
- construction, repair, remodel, installation services

## Are there any exceptions?

- A use tax exemption is available for goods and certain retail services donated to nonprofit organizations. [RCW 82.12.02595](#) <sup>[11]</sup>. See the [Donations](#) section for more information.
- A nonprofit organization can provide a reseller permit to vendors for purchases of goods or services they will resell in the regular course of business, or that they will resell as part of a qualifying fundraising activity.
- Items purchased in Washington that will be used out-of-state *may be* eligible for a “qualified nonresident” sales tax exemption. Please see [Excise Tax Advisory 3054.2014](#) <sup>[12]</sup>, *Sales to Nonresidents of Jurisdictions Imposing a Sales Tax of Less than Three Percent*, for additional information.

## Nonprofit organizations attending conventions, meetings, or workshops in Washington State

Out-of-state nonprofit organizations frequently attend conventions, meetings, or workshops in Washington. Most purchases of goods and services by nonprofits or their members are subject to sales tax, whether paid for individually or by the organization. These include:

- meals
- hotel rooms
- banquet facilities
- rental cars

## When can I use a Reseller Permit?

Nonprofit organizations that purchase meals that they will resell to attendees as part of a qualifying [fundraising](#) activity may provide a reseller permit to hospitality businesses (hotels, restaurants, caterers) that sell meals.

Nonprofits may also purchase items that they will resell in the regular course of business or as part of a qualifying fundraising activity without paying sales tax by providing the seller with a reseller permit.

## Obtaining a Reseller Permit

The Department will issue reseller permits based on specific criteria. Businesses that don't automatically receive a reseller permit, including nonprofits, may apply directly to the Department by completing an [application](#) <sup>[13]</sup>. See [Reseller Permits](#) <sup>[14]</sup> for more information.

## Fundraising

Nonprofit organizations are generally required to collect and remit retail sales tax and pay business and occupation (B&O) taxes on their sales of goods and retail services. However, the law provides limited exemptions for certain fundraising activities.

The B&O and sales tax exemptions are limited to:

- fundraising activities
- conducted by qualified nonprofit organizations
- that do not constitute a regular place of business
- where the proceeds of the fundraising are used to further the nonprofit's goals .

## What is a qualifying nonprofit organization?

Qualifying nonprofit organizations must be:

- A tax-exempt nonprofit corporation described by §501(c)(3), (4), or (10) of the IRC; or
- A nonprofit organization that would qualify for tax exemption under these codes except that it is not organized as a nonprofit corporation; or
- A nonprofit organization that does not pay its members, stockholders, officers, directors, or trustees any amounts from its gross income, except as compensation to any person for services rendered and does not engage in a substantial amount of political activity. ([RCW 82.04.3651](#) <sup>[15]</sup>)

## What are the fundraising exemptions?

- [RCW 82.04.3651](#) <sup>[15]</sup> provides a **business and occupation (B&O)** exemption to qualified nonprofit organizations for amounts received from certain fundraising activities.
- [RCW 82.08.02573](#) <sup>[16]</sup> provides a comparable **retail sales tax exemption** for qualified nonprofit organizations for amounts received from certain fundraising activities.

RCW 82.12.225 <sup>[17]</sup> provides a limited use tax exemption to consumers that support the charitable activities of nonprofit organizations or libraries <sup>[18]</sup>. The exemption applies to the use of any article of personal property purchased, or won as a prize in a game of chance, from a nonprofit organization or library as part of a qualifying tax-exempt fundraising activity. The exemption applies as follows:

- From October 1, 2013, through October 8, 2015, any article of personal property valued under \$10,000 is exempt from use tax.
- From October 9, 2015, through July 1, 2020, any article of personal property valued under \$12,000 is exempt from use tax.

## **Tax-exempt fundraising activities**

Qualifying nonprofits conducting fundraising activities are exempt from collecting and remitting sales tax and paying B&O tax on income earned from fundraising activities if:

- the income is used to further the organization's goals, and
- the fundraising activity is not held at a regular business location.

## **Examples**

- A nonprofit 501(c)(3) organization operates a food booth for five days each July at the local community fair. The funds benefit the organization's scholarship fund.
- A nonprofit youth organization raises funds by selling tee shirts door to door for 3 weeks. The money is used to sponsor after school recreation youth programs in the community.
- A school PTO holds an annual dinner/auction to raise money for new playground equipment at the school.
- A church sponsors a spaghetti feed held in their basement. Proceeds are donated to assist in providing relief to natural disaster victims.

## **Spirits sales**

The discussion below assumes that the nonprofit organization has obtained the proper permits from the Liquor and Cannabis Board (LCB) to sell spirits. Questions concerning the permits should be directed to LCB at <https://lcb.wa.gov/> <sup>[19]</sup> or (360) 664-1721.

### **Sales of spirits by the drink or glass**

If the organization will be reselling spirits by the glass or drink for on-premises consumption, the organization would **pay** spirits taxes to the distributor at the lower on-premises rates of:

- 13.7 percent of the purchase price, and
- \$2.4408 per liter.

If these sales are part of a qualifying fundraising event, the nonprofit organization is not required to collect sales tax or pay B&O tax on sales of spirits by the glass or drink.

### **Sales of spirits by the unopened bottle**

If the organization will be reselling the spirits by the unopened bottle for off-premises consumption, the

organizations can purchase the spirits exempt of the spirits tax from distributors, but the organization must collect and remit to the Department the spirits taxes from their customers at the rate of:

- 20.5 percent of the selling price, and
- \$3.7708 per liter.

The exemption from B&O and sales tax for qualified fundraising activities does not apply to the spirits taxes under RCW 82.08.150.

**Note:** Because the nonprofit organization is required to collect and remit the spirits sales tax, they cannot be on Active Non Reporting and must file electronically <sup>[20]</sup> with us.

## Wine auctions

The discussion below assumes that the nonprofit organization has obtained the proper permits from the Liquor and Cannabis Board (LCB) to sell wine at auction. Questions concerning the permits should be directed to LCB at <https://lcb.wa.gov/> <sup>[19]</sup> or (360) 664-1721.

Under recent legislation, nonprofit organizations may sell wine by auction for off-premises consumption; and allow tasting of samples of the wine to be auctioned at the event. Below are the tax implications when making such sales.

## Fundraising event

If a qualifying nonprofit organization is directly selling the wine and the auction is a qualifying fundraising event:

1. Sales of the wine are exempt from B&O tax and retail sales tax and
2. The nonprofit organization does not owe use tax on the wine being sampled.

## Non fundraising event

If the event does not qualify as a fundraising event (as defined in this guide) then:

1. The nonprofit organization must collect and remit retail sales tax on their sales of wine, and
2. The income received from the sales of the wine is subject to B&O tax under the Retailing classification, and
3. The nonprofit organization must pay use tax on the retail value of the wine consumed during the sampling.

## Sales by wine manufacturers

Sales by wine manufacturers at the event do not qualify for the exemptions for fundraising. If the wine manufacturers are making the sales at the event then:

1. The wine manufacturer must collect and remit retail sales tax from the buyers,
2. The income received from such sales is subject to B&O tax under the Retailing classification,
3. The wine manufactures must pay use tax on the retail value of the wine consumed during sampling,
4. Any amounts paid to the nonprofit organization (e.g. fees, commissions, etc.) are not deductible for

B&O or retail sales tax purposes.

5. Amounts received by the nonprofit organization from the wine manufacturer (e.g. fees, commissions, etc.) are generally subject to B&O tax under the Service and Other Activities classification.

## Taxable business activities by nonprofits

Nonprofit organizations that conduct business activities at a regular place of business during regular hours do not qualify for the fundraising exemptions.

### Examples

- A nonprofit operates a bookstore/ gift shop at a regular business location with established hours (for instance, open Tuesdays and Saturdays from 10:00 am to 4:00 pm, or every Saturday throughout the year). The gift store sales are business activities at a regular place of business with regular hours.
- A church runs a thrift shop at a regular business location Saturdays only from 8:00 am to 4:00 pm at store premises leased by the organization and used for the thrift store and other organization activities. The thrift store sales are business activities conducted with a regular place of business with regular hours.
- A nonprofit youth organization sells tee-shirts, shopping bags, books, etc., from its web site on a continual basis. The web site sales are business activities conducted at a regular place of business with regular hours.

## Can I purchase items I will resell without paying sales tax?

Yes. Nonprofits may purchase items that they will resell in the regular course of business or as part of a qualifying fundraising activity without paying sales tax by providing the seller with a reseller permit <sup>[14]</sup>. If your organization only conducts fundraising activities, you may apply to receive a free reseller permit.

If your organization makes sales of goods from a regular place of business, you must get a reseller permit to purchase your inventory items at wholesale without paying sales tax.

Your organization must register with the Department if it:

- conducts taxable business activities.
- is required to collect retail sales tax.
- collects other taxes and fees.

Nonprofit organizations that purchase meals that they will resell to attendees as part of a qualifying activity may also provide a reseller permit <sup>[14]</sup> to hospitality businesses (hotels, restaurants, caterers) that sell meals.

Please refer to the following for more information on the taxability of nonprofit organizations and the fundraising exemption:

Washington Administrative Code (WAC) 458-20-169 <sup>[21]</sup>

## Donations

## Cash Donations

- Cash donations (gifts or contributions) are not subject to business and occupation (B&O) tax or retail sales tax as long as the donor does not receive any significant goods or services in exchange for the donation.
- If the donor receives significant goods or services, then the donations are subject to tax based on the activity or service provided.

## Donated Goods

- Nonprofit organizations are exempt from use tax on items donated to them.
- Use tax does not apply to goods donated or bailed by a nonprofit organization to a person who uses it for the purpose for which it was originally donated.
- Persons who donate goods to nonprofit charitable organizations or state or local government entities are exempt from use tax if they have had no intervening use of the goods.

**Example:** A hardware store donates an industrial pressure washer to a nonprofit community center for neighborhood cleanup. The community center loans the washer to people enrolled in its neighborhood improvement group for neighborhood clean-up projects. No use tax is due from any of the participants in these transactions.

## Donated Services

- Use tax does not apply when labor and services are donated to a nonprofit charitable organization at no charge, such as installing, repairing, cleaning, altering, imprinting, or improving personal property.

For more information please refer to [RCW 82.12.02595](#) <sup>[11]</sup> and [WAC 458-20-169](#). <sup>[21]</sup>

## Schools, Government, Churches, and Other Organizations – Sales Tax

Nonprofit organizations must pay sales tax on goods and retail services they purchase as consumers, unless a specific exemption applies.

Nonprofit organizations may give their vendors a reseller permit for items they will resell in the regular course of business or as part of qualifying fundraising activity. (See the [Fundraising](#) section for more information.)

### Schools

Schools must pay sales tax on goods and retail services they purchase as consumers, unless a specific exemption applies. This applies to both public and private schools.

Nonprofit private schools that qualify (or would qualify if the school applied) for IRS 501(c)(3) status as an educational organization may give their vendors a reseller permit for items they will



resell as part of a qualifying fundraising activity. (See the [Fundraising](#) section for more information.)

Public schools may not use a reseller permit to purchase goods and services. Public schools must pay sales tax on these purchases unless a specific exemption applies. (See the [School/District Guide](#) <sup>[22]</sup> for more information.)

(See [WAC 458-20-167](#) <sup>[23]</sup> for more information on educational institutions and private schools.)

## Churches

Churches must pay sales tax on goods and retail services they purchase as consumers, unless a specific exemption applies. (For example: construction and landscaping services are subject to sales tax.)

Churches that qualify may give their vendors a reseller permit for items they will resell as part of a qualifying fundraising activity. (See the [Fundraising](#) section for more information.)

## Political Organizations

Political organizations must pay sales tax on goods and retail services they purchase as consumers, unless a specific exemption applies.

Political organizations may give their vendors a reseller permit for items they will resell. Reseller permits provided by political organizations must have a UBI/account ID number issued by the Department of Revenue to be valid.

Political organizations do not qualify for the fundraising exemptions for B&O tax and sales tax.

## Schools, Government, Churches, and Other Organizations – Sales Tax

### American Red Cross

The American Red Cross is not subject to sales tax on goods and retail services it purchases as a consumer. [RCW 82.08.0258](#). <sup>[24]</sup>

## Government

### State and Local Government

All purchases of goods and retail services by the state of Washington, its departments and institutions, and to municipal corporations of the state (cities and counties) are subject to sales tax, unless a specific exemption applies.

### US Government

The US Government is not subject to sales tax on goods or retail services it purchases as a consumer. [RCW 82.08.0254](#) <sup>[24]</sup>.

The fact that a purchase is made by a federal entity, such as an instrumentality or a federal corporation, does not mean that the purchase is exempt from sales tax. The taxability of a federal entity and whether or not the entity is required to collect and remit retail sales/use tax depends on the benefits and immunities conferred upon it by Congress.

## US Government Employees

Purchases made by and paid for by US government employees (including military personnel) are subject to sales tax, even when the US government will reimburse the employee for cost.

## US Government Credit Card Purchases

See the Special Notice titled *Documenting Purchases paid by US Government Credit Card* [25] for information on when such sales are subject to sales tax or exempt.

[Watch video](#) [26] 

[Additional resources](#) [27]

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**Source URL:** <https://dor.wa.gov/doing-business/business-types/industry-guides/nonprofit-organizations>

## Links

- [1] <https://dor.wa.gov/exemptions>
- [2] <http://app.leg.wa.gov/RCW/default.aspx?cite=82.04.4271>
- [3] <http://app.leg.wa.gov/RCW/default.aspx?cite=82.08.0291>
- [4] <http://apps.leg.wa.gov/RCW/default.aspx?cite=82.04.368>
- [5] <http://apps.leg.wa.gov/RCW/default.aspx?cite=82.04.367>
- [6] <http://apps.leg.wa.gov/RCW/default.aspx?cite=82.04.385>
- [7] <http://apps.leg.wa.gov/RCW/default.aspx?cite=82.04.370>
- [8] <https://www.sos.wa.gov/>
- [9] <http://bls.dor.wa.gov/file.aspx>
- [10] <https://dor.wa.gov/doing-business/register-my-business>
- [11] <http://apps.leg.wa.gov/RCW/default.aspx?cite=82.12.02595>
- [12] <http://taxpedia.dor.wa.gov/documents/current%20eta/3054.pdf>
- [13] <https://secure.dor.wa.gov/home/>
- [14] <https://dor.wa.gov/find-taxes-rates/retail-sales-tax/reseller-permits>
- [15] <http://apps.leg.wa.gov/RCW/default.aspx?cite=82.04.3651>
- [16] <http://apps.leg.wa.gov/RCW/default.aspx?cite=82.08.02573>
- [17] <http://apps.leg.wa.gov/rcw/default.aspx?cite=82.12.225>
- [18] <http://apps.leg.wa.gov/rcw/default.aspx?cite=27.12.010>
- [19] <http://lcb.wa.gov/>
- [20] <https://fortress.wa.gov/dor/efile/FortressLogon/Logon.aspx>
- [21] <http://apps.leg.wa.gov/WAC/default.aspx?cite=458-20-169>
- [22] <https://dor.wa.gov/doing-business/business-types/industry-guides/school-district>
- [23] <http://apps.leg.wa.gov/WAC/default.aspx?cite=458-20-167>
- [24] <http://apps.leg.wa.gov/RCW/default.aspx?cite=82.08.0258>
- [25] [https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/SpecialNotices/2015/sn\\_15\\_USCreditCard.pdf](https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/SpecialNotices/2015/sn_15_USCreditCard.pdf)
- [26] <https://dor.wa.gov/workshops-education/watch-online-workshop-or-tutorial/nonprofits>
- [27] <https://dor.wa.gov/doing-business/business-types/nonprofits>

# Nonprofit Organizations

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*This brochure provides a basic description of the specific exemptions for nonprofit organizations operating in Washington. It is current at the time of publication, but future changes may invalidate some of this information and not all applications of tax are discussed. The material is intended only for general informational purposes; it does not alter or supersede any administrative regulations or rulings issued by the Department.*

## EXEMPTIONS FOR NONPROFIT ORGANIZATIONS

Nonprofit organizations, even though they may be exempt from federal taxes, are not generally exempt from taxes in Washington.

Unless a nonprofit organization has a specific exemption for either property or excise taxes, it is required to pay taxes in the same manner as other entities. Generally, nonprofit organizations are required to pay the sales or use tax on items of tangible personal property they purchase for their own use and on any construction performed for their organization.

If a nonprofit organization conducts taxable business activities in Washington, it must register to do business within the state by completing a business license application. The application can be obtained from any Department of Revenue office or our website at [dor.wa.gov](http://dor.wa.gov) or by calling our Telephone Information Center at 1-800-647-7706.

## PROPERTY TAX

### General Requirements

Nonprofit organizations in the state of Washington may be eligible for an exemption from property tax. In most situations, nonprofit ownership is required to qualify for an exemption. In addition, the organization must conduct an activity specifically identified in the exemption laws. The use of the property determines the exemption. Not all nonprofit organizations have a purpose and activity that entitles them to an exemption.

Typical organizations receiving a property tax exemption are schools, churches, cemeteries, hospitals, social service agencies, character building organizations, nursing homes, homes for the aging, museums, and public meeting halls. Nonprofit organizations engaged in artistic performances for the general public, including production of musical, dance, artistic, dramatic and literary works, as well as art, scientific and historical collections, are also exempt from the property tax on property actually used for these purposes.

Generally, labor unions or fraternal organizations are not eligible for an exemption, unless they are exclusively using their property for to conduct an activity exempted by law. For example, a training facility operated by a labor union could qualify for an exemption as a school.

### The law provides an exemption from the following taxes:

**Personal Property Tax:** Assessed on movable items such as furniture and equipment. It also includes a privately owned building located on land owned by a public entity. In some circumstances, a mobile home may be classified as personal property.

**Real Property Tax:** Assessed on land and buildings. Exemptions do not include special assessments such as sewer, water, street improvements, and surface water management.

**Leasehold Excise Tax:** In lieu of property tax paid by organizations or individuals using publicly owned property which is exempt from property tax.

continued

## APPLICATION PROCESS

### Filing an Application

To apply for a property tax exemption, organizations must file an application with the Property Tax Division at the Department of Revenue. Applications are available online at [dor.wa.gov](http://dor.wa.gov) under Get a form or publication (REV 63 0001) or any county assessor's office.

The application must include verification of nonprofit status, bylaws, an accurate map and site plan that will identify all improvements by dimension, and all filing fees. Nonprofit status may be evidenced by Articles of Incorporation and/or a determination letter from the Internal Revenue Service approving exempt status with the federal government. Incorporated applicants must be currently registered with the Washington Secretary of State's office and provide a copy of their Articles of Incorporation.

#### FILING DATE

Applications are due within 60 days of acquiring the property and/or converting the property to an exempt use. Applications requesting a retroactive exemption are accepted as long as it is filed within three years of the date the taxes were due. Late or retroactive applications are subject to late filing penalties. No fee applications are accepted annually between January 1 and March 31 for applicants simply seeking exemption in the following year. Again, these applications, if submitted after March 31, are subject to a late filing penalty.

#### LATE FILING PENALTY

Applications filed after the filing date are subject to a late filing penalty. The penalty is computed at \$10 per month, or any portion of a month. For example, a nonprofit organization purchases property on June 15. The organization has until August 14 (60 days) to file their application before accruing a late filing penalty. If the application is submitted on August 15 or a later day in August, the penalty is \$10. If the application is submitted on September 1 or later, then the penalty increases to \$20.

If you have questions regarding the late filing fee penalty, please contact our Exempt Property Tax Section (see page 4).

#### EFFECTIVE DATE

The taxes exempted will be for the year following the year the property qualified for exemption. For example, property qualifying for exemption in 2013 will be exempt for taxes payable in 2014. Taxes owed in the year of purchase, or the year the property is converted to an exempt use, cannot be exempted.

#### RENEWING THE EXEMPTION

The exemption must be renewed by March 31 each year. The Department of Revenue will mail a postcard to each applicant annually in January reminding the applicant to renew their exemption online at [dor.wa.gov](http://dor.wa.gov) using the "My account" system.

The renewal process cannot be used to add property to an existing exemption. Organizations wanting to add previously taxed property to an existing exemption must file a new application.

### Jeopardizing the Exemption

Washington's laws and rules restrict the manner in which property qualifying for exemption may be used. Generally, commercial activities cannot be conducted on the property. For example, if a nonprofit church receives a property tax exemption, the portion of the church which is used to sell books will not be exempt because it is used for a commercial activity. The property will be placed on the tax rolls if nonexempt activities are conducted on the property, and taxes will be due from the date the nonexempt activity begins. If the nonexempt activity ceases, a new application form must be filed to reinstate the exemption. The exemption will be effective in the year following the year the property is returned to an exempt activity.

Organizations must report when the manner of exempt use changes or is discontinued.

Some of the most common reasons for losing an exemption include:

- Use of the property by unqualified organizations or individuals for monetary gain, regardless of whether a fee is charged.

A qualified organization is one that would qualify for exemption if they owned the property and used it for an exempt purpose.

- Rent charged in excess of the organization's operation and maintenance expenses.

The amount of rent charged to qualified organizations may not exceed the amount it costs the organization to operate and maintain the exempted portion of property for the time or period rented or leased. Donations made for the use of an organization's exempt property are viewed as rent.

## Fundraising Exemptions

- Commercial use of exempt property. Fundraising activities conducted by nonprofit organizations are not usually considered commercial use. Further information about fundraising activities may be obtained by contacting the Exempt Property Tax Section (see page 4).
- Ceasing to use the property for an exempt activity.
- Transfer of ownership of the property. Exemptions are granted to legal owners. Therefore, when title is transferred to another entity, the new owner must file an application for exemption.

### TAX ROLLBACK

Most exempt organizations are subject to a property tax rollback when they stop using their property for an exempt activity or sell it. Taxes, plus interest, may be assessed for the current year plus the three previous years. There are several exceptions to this rule. Please contact the Exempt Property Tax Section for more information (see page 4).

Nonprofit organizations who conduct periodic fundraising activities, which do not constitute the operation of a regular place of business, are exempt from the Business and Occupation (B&O) tax and the requirement to collect sales tax.

Fundraising activities include directly soliciting money or other property, or selling goods or services to further the nonprofit organization's goals. It does not include a regular place of business with regular hours such as a bookstore, thrift shop, restaurant or similar business.

For the purpose of the fundraising exemption, the term "nonprofit organization" means the following:

1. An organization exempt from federal tax under Section 501 (c)(3), (4), or (10) of the federal internal revenue code.
2. A nonprofit organization that would qualify under number one above but not organized as a nonprofit corporation.
3. A nonprofit organization meeting all of the following criteria:
  - a. Members, stockholders, officers, directors, or trustees of the organization do not receive any part of the organization's gross income, except payment for services.
  - b. Compensation received by any person for services that does not exceed a reasonable amount.
  - c. Activities of the organization do not include a substantial amount of political activity.

## References

### ■ WAC 458-20-169 Nonprofits

### ■ Special Notice: Nonprofit Fundraising January 5, 2004

The following activities are also exempt:

### ■ Artistic or Cultural Organizations:

Income derived from conducting any business activities as a nonprofit artistic or cultural organization (defined in Washington Administrative Code 458-20-249) is not subject to the B&O tax.

### ■ Child Care Resource and Referral: Income received by nonprofit organizations for providing child care resource and referral services is not subject to the business and occupation tax.

### ■ Emergency Lodging: The charge for furnishing emergency lodging to the homeless purchased via a shelter voucher program administered by cities, towns and counties, or private organizations that provide emergency food and shelter services is exempt from the sales tax, the convention and trade center tax, and the special hotel/motel taxes.

### ■ Sheltered Workshops: The gross income received by nonprofit organizations from the business activities of sheltered workshops is exempt from the business and occupation tax. "Sheltered workshops" are business activities, on or off the premises, performed for the primary purpose of:

1. Providing gainful employment or rehabilitation services to the handicapped as an interim step in the rehabilitation process for those who cannot be readily absorbed in the competitive labor market or during such time as employment opportunities for them in the competitive labor market do not exist.
2. Providing evaluation and work adjustment services for handicapped individuals.



## Registration

Amounts received for activities that are specifically exempt do not need to be reported to the Department of Revenue. Unless the nonprofit organization is exempt on all of its income, it is required to register with the Department of Revenue to receive either a temporary or a permanent Unified Business Identifier (UBI) number. Once registered with the Department, the organization will receive excise tax returns for the period(s) of operation.

For assistance in determining whether your organization should be registered or for help completing the return, please contact our Telephone Information Center at 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

## FOR MORE INFORMATION

For answers to specific questions about the property tax exemption for nonprofit organizations, please contact:

### EXEMPT PROPERTY TAX SECTION

Washington State  
Department of Revenue  
P.O. Box 47471  
Olympia, WA 98504-7471  
Email: [SindyA@dor.wa.gov](mailto:SindyA@dor.wa.gov)  
Call: (360) 534-1412  
FAX: (360) 534-1380

If you have questions about the business and occupation or sales/use tax exemptions, call our Telephone Information Center at 1-800-647-7706 or write to:

### TAXPAYER INFORMATION AND EDUCATION

Washington State  
Department of Revenue  
P.O. Box 47478  
Olympia, WA 98504-7478  
FAX (360) 705-6655

### TELEPHONE INFORMATION CENTER

1-800-647-7706

### WEBSITE

[dor.wa.gov](http://dor.wa.gov)

### MAILING ADDRESS

Washington State  
Department of Revenue  
PO Box 47478  
Olympia, WA 98504-7478

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may use the Washington Relay Service by calling 711.

The information contained in this fact sheet is current as of the date of this publication and provides only general information about non-profit organizations. It does not alter or supersede any administrative regulations or rulings issued by the Department.