



STATE OF NORTH DAKOTA

OFFICE OF STATE TAX COMMISSIONER

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Rick Clayburgh
COMMISSIONER

MEMORANDUM

TO: All Nonprofit Organizations

FROM: Gary L. Anderson, Director
Sales and Special Taxes Division

SUBJECT: Sales Tax on Nonprofit Organizations

DATE: January 2, 1997

**NOTE FROM DIOCESAN
FINANCE OFFICE:**

The letter on this page came from the State of North Dakota regarding Sales Tax. Since there are always questions concerning what is and what is not subject to Sales Tax for churches, relevant text has been underlined. Please place this in your files under "Sales Tax" for future reference.

We receive a number of questions regarding the proper application of sales and use tax relative to nonprofit organizations. Many nonprofit organizations may be exempt from federal and state income taxes. However, to the surprise of many of those who call, nonprofit organizations are nearly always subject to sales tax on their purchases of tangible personal property.

When nonprofit charitable, educational, and religious organizations, including churches and church groups purchase tangible personal property for their own use, it is a purchase at retail and is fully subject to sales tax. In addition, when a nonprofit organization purchases goods from out-of-state (without paying sales tax) use tax must be paid to the State of North Dakota. Nonprofit organizations are also subject to city sales and use tax on retail purchases.

There is a single sales tax exemption for churches regarding the purchase of Bibles, hymnals, textbooks, and prayer books. When these goods are purchased by a church or church group, the purchase is exempt from state and local sales and use tax. This exemption does not include purchases made by individual church members, including individual clergy members. Individuals must pay tax on their purchases.

Nonprofit charitable, educational, and religious organizations may conduct sales or sponsor other fund raising activities without being subject to the collection of sales tax as long as the net proceeds of such sales or activities are expended for educational, religious, or charitable purposes and as long as the sales or activities are not held in a publicly owned facility or represent ongoing retail sales that are in direct competition with retailers. The net proceeds from these fund raising activities are defined as gross sales receipts less necessary business expenses such as the purchase of goods for resale, advertising expenses, and facilities rental. If such events are held in a publicly owned facility, the nonprofit organization is responsible for collection and payment of sales tax on all sales and activities.

Questions regarding this, or any other aspect of North Dakota sales and use tax law, may be addressed to us at the Office of State Tax Commissioner, Sales & Special Taxes Division, 600 East Boulevard Avenue, Bismarck, ND 58505-0599. You may also telephone our office at 701-328-3470 or, toll free in North Dakota at 1-800-638-2901, extension 8-3470. For the speech and hearing impaired, the local TDD number is 701-328-2778 or toll free in North Dakota at 1-800-453-8950.