



Date: September 20, 2019

To: School Fundraiser Administrators

From: Justin Nieman, Assistant Commissioner, Minnesota Department of Revenue

Fundraising Sales for Schools – Law Change

The Minnesota Department of Revenue is sending you this letter to update you on a change that may impact your sales tax obligations. During the 2019 legislative session, there was a change made to Minnesota Statute 123B.49, subdivision 4, which requires all funds from extracurricular activities to be deposited with the school district.

Minnesota Law

Minnesota Statute 297A.70, subdivision 13, provides a sales tax exemption for fundraising sales made by a nonprofit organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under. This exemption does not apply to sales by school organizations for extracurricular activities when the proceeds from fundraising activities are either:

- Deposited with the school district treasurer
- Recorded in the same manner as other revenues and expenditures of the school district

A 2019 law change made to Minnesota Statute 123B.49, subdivision 4, provided that all costs and revenues from extracurricular fundraising activities will need to be recorded in the same manner as all other expenditures and revenues of the district.

While this law change did not specifically remove the sales tax exemption for school organizations, the exemption is no longer available for fundraising sales made by schools and school-run groups for extracurricular activities. As a result, all schools and school organizations must collect sales tax and all applicable local taxes on taxable sales unless another exemption applies.

The sales tax collected should be reported on the sales and use tax return filed by the school or school district. If you do not already have a Minnesota ID number, go to www.revenue.state.mn.us and type “register for a tax id number” into the Search box.

Exemptions Still Available

Schools may still consider selling items that are exempt from sales tax. This includes items such as:

- Candy – a separate exemption applies to sales of candy and gum when sold for fundraising purposes by school groups (Minnesota Statute 297A.70, subdivision 13(a)(4))
- Clothing – such as bandanas, hats, scarves, and t-shirts are not subject to sales tax

- Coupon books – sales of coupon books, discount cards, or punch cards are not taxable
- Food items – such as bread, nuts, popcorn are not subject to sales tax as long as the food items are pre-packaged and not made by the seller

There are also exemptions specific to schools that are not impacted by the change to Minnesota Statute 123B.49, subdivision 4. These exemptions are for:

- Prepared food, candy, and soft drinks served at a public or private elementary, middle, or secondary school (Minnesota Statute 297A.67, subdivision 5). Examples include: spaghetti feed or pancake breakfast as long as they are served on school premises.
- Tickets or admissions to regular season school games, events, and activities (Minnesota Statute 297A.70, subdivision 11)
- Tickets and admissions to games, events, and activities sponsored by the Minnesota State High School League (Minnesota Statute 297A.70, subdivision 11a)

Taxable Sales

Because all funds must now be deposited with the school district, sales that were previously exempt from sales tax because they qualified for the fundraising exemption are now taxable unless they qualify for one of the previously listed exemptions currently available to you.

Some examples of taxable sales include:

- Admission to recreational areas (see [Fact Sheet 123](#))
- Books (other than textbooks)
- Flowers
- Garage sales
- Gift wrap
- Greeting cards
- Water bottles or coffee mugs
- Wreaths

These are examples of common sales that schools may use to raise funds for extracurricular activities. For information about whether other sales are taxable:

- Visit our website at www.revenue.state.mn.us
- Email us at salesuse.tech@state.mn.us

Other Nonprofit Organizations

Organizations that are organized and operated separately from the school or school district, including organizations such as PTAs, PTOs, and booster clubs, do not need to collect sales tax on the first \$20,000 in sales if they meet certain conditions.

If the organization is not required to deposit their funds with the school district treasurer and has its own Minnesota Tax ID number, they may sponsor certain school activities that still qualify for the fundraising exemption under Minnesota Statute 297A.70, subdivision 13 paragraph (a)(1).

Nonprofit organizations that meet the required criteria can make fundraising sales without charging sales tax on the first \$20,000 in fundraising sales in a calendar year. If you exceed \$20,000 in fundraising

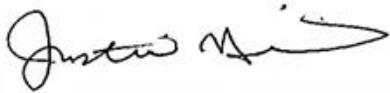
sales, you must start charging sales tax on any additional fundraising sales for that calendar year. The \$20,000 limit is based on each Minnesota Tax ID number.

For example, a booster club sells wrapping paper and raises \$21,000. You do not need to collect sales tax on the first \$20,000; however, you would need to collect sales tax on the remaining \$1,000.

Questions

If you have questions or need additional assistance with this matter, please contact the Sales & Use Tax Division at 800-657-3777 or salesuse.tech@state.mn.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin Nieman", with a long horizontal flourish extending to the right.

Justin Nieman
Assistant Commissioner
Minnesota Department of Revenue

CC: Pam Evans, Director, Sales & Use Tax Division