

Vermont Business Taxes and Your 501(c)(19) Organization

Many nonprofit organizations that qualify for an exemption from federal income tax are also exempt from Vermont income tax. However, nonprofits are generally not exempt from paying other state taxes, such as Vermont Sales and Use Tax. Taxes are due on most purchases and sales made by your nonprofit. If you are selling, you must first have a business tax account with the Vermont Department of Taxes. This fact sheet offers guidance on meeting your organization's tax obligations. If you have questions, please get in touch with us at tax.business@vermont.gov or call (802) 828-2551. We're here to help!

When Your Organization Purchases

Sales and Use Tax Is Due When Your 501(c)(19) Nonprofit Makes Purchases

Sales tax is due at the time of purchase for all items taxable in Vermont. See [What is Taxable and Exempt \(https://tax.vermont.gov/exempt-items\)](https://tax.vermont.gov/exempt-items) for a sample list.

Also, you will need to pay Vermont Sales and Use Tax to the Department if any of the following apply:

- You purchase from a vendor who is not registered to collect tax with the State of Vermont or who fails to collect the tax
- You use property that you normally create (or manufacture) for sale
- You use property in your operations that you originally purchased for resale with an exemption certificate
- You purchase property that you don't consume in Vermont, but you receive, store, or operate in Vermont

Even though your 501(c)(19) nonprofit organization is exempt from owing federal and Vermont income taxes, you must still pay other Vermont taxes with a few exceptions.

When Your Organization Sells

When Your 501(c)(19) Nonprofit Needs to Collect and Remit Taxes

The following sales are subject to Vermont Sales and Use Tax and Meals and Rooms Tax:

- Bingo games, variety shows, and dances that are open to the public with a cover charge and no specific benefit
- Rummage sales or flea markets where tables are rented to the public
- Sales of food and beverage for immediate consumption unless the following conditions apply:
 - Sold at a bazaar, fair, picnic, church supper, or similar events
 - No more than four such events in a calendar year
 - Each event is no more than one day long

Break-Open Ticket Sales

Because 501(c)(19) nonprofits pay sales tax when purchased from the distributor, break open tickets are not taxable to the end purchaser.

Alcoholic Beverages Are Taxable

The rules for the sale of alcoholic beverages by 501(c)(19) nonprofits are the same as for other businesses. A license to sell malt, vinous, and spirituous liquors must be obtained from the [Division of Liquor Control \(https://liquorcontrol.vermont.gov\)](https://liquorcontrol.vermont.gov). The nonprofit must charge, collect, and remit tax on alcoholic beverages to the Vermont Department of Taxes.

Local Option Taxes May Be Due

Some towns and cities in Vermont impose an additional 1% tax on sales tax on meals, rooms, and alcoholic beverages. If you do business in or deliver products to a town with a local option tax, you must collect and pay this additional tax to the State. See [local option taxes \(https://tax.vermont.gov/business/local-option-tax\)](https://tax.vermont.gov/business/local-option-tax) for more information, including a list of which municipalities impose a local option tax, and the Local Option Tax Finder tool.

Exception for the Purchase and Sale of U.S. Flags

Under [32 V.S.A § 9741\(33\) \(https://legislature.vermont.gov/statutes/section/32/233/09741\)](https://legislature.vermont.gov/statutes/section/32/233/09741), the sale of the flag of the United States to and by veterans' organizations is exempt from sales tax in Vermont. There is no specific Vermont exemption for the purchase of U.S. flags by 501(c)(19) nonprofits, and Form S-3 may not be used for this purpose. If the seller refuses to exempt the sale, the veterans' organization may pay the tax charged and request a refund from the State. To obtain a refund, submit [Form REF-620, Application for Refund of Vermont Sales and Use Tax, Meals and Rooms Tax, or Local Option Tax \(https://tax.vermont.gov/sites/tax/files/documents/REF-620.pdf\)](https://tax.vermont.gov/sites/tax/files/documents/REF-620.pdf), along with receipts and supporting documents.

Entertainment Charges May Be Taxable

Entertainment charges on events by 501(c)(19) organizations are taxable. However, a charge to an event is exempt from sales tax when the event meets all of the following criteria:

- No more than four special events held in a calendar year
- The event is held over no more than four consecutive days
- Events are open to the public

Reporting Income to The State

Be sure to send a copy of federal Form 990, Return of Organization Exempt Form Income Tax, which you must file annually with the IRS to maintain your 501(c)(19) status, to the Vermont Department of Taxes.

Resources

- [32 V.S.A. § 9771 \(https://legislature.vermont.gov/statutes/section/32/233/09771\)](https://legislature.vermont.gov/statutes/section/32/233/09771)
- [32 V.S.A § 9741\(33\) \(https://legislature.vermont.gov/statutes/section/32/233/09741\)](https://legislature.vermont.gov/statutes/section/32/233/09741)
- [Sales and Use Tax \(http://tax.vermont.gov/business/sales-and-use-tax\)](http://tax.vermont.gov/business/sales-and-use-tax)
- [Tangible Personal Property \(https://tax.vermont.gov/glossary#t\)](https://tax.vermont.gov/glossary#t)