

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.

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

When Your Organization Buys

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 that are taxable in Vermont. See the fact sheet "General Guidelines in Sales Tax: What is Taxable and Exempt" for a sample list.

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

- You make a 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.

When Your Organization Sells

When Does my 501(c)(19) Nonprofit Need to Collect and Remit Taxes?

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

- Bingo games, variety shows, and dances open to the public with a cover charge with no specific benefit
- Bake sales with no specific benefit
- Rummage sales or flea markets where tables are rented to the public

Alcoholic Beverages are Taxable

The rules for the sale of alcoholic beverages by 501(c)(19) nonprofits are the same as for businesses. A license to sell malt, vinous, and spirituous liquors must be obtained from the Department of Liquor Control (DLC.) The nonprofit must charge, collect, and remit tax on alcoholic beverages to the Vermont Department of Taxes.

Sales of Break Open Tickets

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

501(c)(19) nonprofits may use Form S-3, Vermont Sales & Use Tax Exemption Certificate, to claim exemption from paying tax *only* when the items purchased are intended for resale. Form S-3 *may not* be presented for purchase of taxable items the organization plans to keep or use.

Disclaimer: The information provided here is intended to be an overview only. Vermont tax statutes, regulations, Vermont Department of Taxes rulings, or court decisions supersede information presented here.

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Local Option Taxes May Be Due

Some towns and cities in Vermont impose an additional 1% tax on sales tax and tax on meals, rooms, and/or alcoholic beverages. If you do business in or deliver products to a town which levies a 1% local option tax, you must collect and pay this additional tax to the state. See our website for more information about local option tax, including a list of which municipalities impose it.

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

Under 32 V.S.A. § 9741(33) 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 certificate 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 then request a refund. To obtain a refund, submit Form REF-620, Application for Refund of Vermont Sales and Use Tax or Meals and Rooms Tax, 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* the following criteria:

- No more than four special events are held in a calendar year
- An 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 From Income Tax, which you must file annually with the IRS to maintain your 501(c)(19) status, to the Vermont Department of Taxes.

Helpful Resources

Sales and Use Tax for Nonprofits

tax.vermont.gov/business-and-corp/nonprofits/sales-and-use-tax

Application for Refund of Vermont Sales and Use Tax or Meals and Rooms Tax, and other forms:

tax.vermont.gov/tax-forms-and-publications/business-taxes

Local Option Tax

tax.vermont.gov/business-and-corp/sales-and-use-tax/local-option-tax

Know Tax Law and Regulations

Business owners and nonprofits are expected to be familiar with applicable state tax laws and regulations. For more information, please see the following:

32 V.S.A. Chapter 233 (Sales and Use Tax)

legislature.vermont.gov/statutes/chapter/32/233

32 V.S.A. Chapter 225 (Meals and Rooms Tax)

legislature.vermont.gov/statutes/chapter/32/225

See tax.vermont.gov/tax-law-and-guidance for :

- Regulations
- Technical Bulletins
- Fact Sheets

To learn more about Vermont business taxes, visit tax.vermont.gov or contact the Department's Business Tax Section at tax.business@vermont.gov or (802) 828-2551.

