

Paying Taxes

Sales Tax:

Fundraising? Organizations may be required to pay sales tax on fundraising efforts. Even if your organization has a tax-exempt number, sales tax is to be collected on a number of items and services, including:

1. Amusement Services in excess of \$500 per event (examples include live or recorded performances, movies or plays, exhibits or displays and spectator sports)
2. Ready-to-eat food items
3. Items for resale (t-shirts, posters, decals, etc.)
4. Rental of tangible personal property

Income on major fundraising projects is typically taxable. In this case, student organizations will need to get a temporary sales permit from the Wisconsin Department of Revenue (contact information found below). Minor fundraising efforts usually qualify as Occasional Sales, as described in the *Sales Tax Exemptions for Nonprofit Organizations* at www.dor.state.wi.us. These sales may not require payment of Sales Taxes.

Federal and State Income Tax:

Student Organizations should contact the Federal and State Internal Revenue Services for specific information on income taxes. In general, an organization does not have to file a tax return if its gross income from outside the organization (fundraising, donations, interest from a checking account, etc.) is less than \$5,000. If the organization is affiliated with a national organization, the local chapter may only need to file a report with the national office as a subsidiary organization. (Contact your national office for more information.)

Organizations that earn interest income greater than \$400 may have to file a federal tax return regardless of their gross income.

501(c)(3) and 501(c)(7) organizations are required to submit a tax form (990 or 990-EZ) annually. More details regarding these specific organizations' requirements can be found at <http://www.irs.gov/charities/nonprofits/index.html>.

Tax Payments for Seller's Permits:

For those organizations that apply for sales permits, tax payments are due quarterly. Quarterly filing is required even if the student organization's gross income is \$0. Failure to file will result in an estimated tax assessment from the Department of Revenue, which is often substantially higher than your organization's actual tax liability. Failure to pay and file your quarterly statements will result in penalties, interest and a lien against your student organization. For forms or questions about Sales Tax, please visit <http://www.dor.state.wi.us>.

You can appeal an estimated tax assessment in writing within 30 days of receiving the bill. In most cases, the estimated tax assessment can be changed to actual with an added penalty. Failure to respond within 30 days will increase your organization's tax problems, and may endanger your not-for-profit status as well as your recognized status on campus.

Sources: Internal Revenue Service (June 2008). *Publication 557: Tax-exempt status for your organization*. <http://www.irs.gov/publications/p557/index.html>

Wisconsin Department of Revenue (January 2006). *Sales tax exemptions for nonprofit organizations*. <http://www.revenue.wi.gov/pubs/pb206.pdf>