



Are Nonprofit Entities Exempt From Iowa Sales Tax?

Information for businesses
from the

IOWA  Department of **REVENUE**

If the Entity is Exempt from Income Tax is it also Exempt from Sales Tax?

NO

Nonprofit entities are not automatically exempt from paying sales tax, even if they are exempt from state and federal income taxes.

Don't Nonprofit Entities Have a Special Sales Tax Exemption?

NO

A nonprofit entity is treated the same as any other person or business for sales and use tax purposes.

So Nonprofits Need to Pay Sales Tax?

YES

- Sales tax must be paid unless some other general sales tax exemption applies.
- Local option sales tax must also be paid on purchases made in jurisdictions that impose the tax.

What Do You Mean by a General Sales Tax Exemption?

- For example, purchases made for resale are exempt from sales and local option taxes.
- Purchases for resale are exempt even if the nonprofit entity does not have a sales tax permit.

But Aren't Churches Exempt from Sales Tax?

NO

- Churches owe sales tax on purchases for their own use.
 - **Example:** A church purchases hymn books to be used by the congregation. The church pays sales and local option tax, if any, to the seller.
- However, churches do qualify for the resale exemption.
 - **Example:** A church purchases Bibles from a book publisher to resell to its members. Since the purchase is for resale, the church does not pay sales tax to the publisher.

Aren't Any Nonprofits Exempt from Sales Tax?

A few are exempt, including the following:

- Federal government
- Iowa state, county, and local governments
- Private nonprofit educational institutions located in Iowa
- Nonprofit hospitals and nonprofit hospices (licensed under Iowa Code chapter 135B)
- Nonprofit private museums

What About School Organizations?

Organizations affiliated with schools, such as a **PTA or school booster club**, are not automatically exempt from sales tax.

Do Nonprofits Need to Collect Tax When They Make Sales?

- Sales made **BY** entities or organizations are exempt if the proceeds are used for qualifying **educational, religious, or charitable purposes**.
- See [Iowa Tax Issues for Nonprofit Entities](#) for explanations of educational, religious, or charitable.

For Sales to be Exempt, How Must the Proceeds be Spent?

The net proceeds must be used by or donated to one of the following to be exempt:

- Entity exempt from federal income tax under Internal Revenue Code section 501(c)(3)
- Government entity (including public schools)
- Private nonprofit educational institution

Do You Have an Example of How That Works?

A local Jaycees chapter raises \$10,000 from a haunted house fundraiser. The chapter gives \$9,000 to the United Way and retains the other \$1,000 for a pizza party for the chapter members and for others who helped with the event. Sales tax is not due on \$9,000. The Jaycees must remit sales tax on the remaining \$1,000.

What About Gambling?

- All receipts from gambling activities sponsored by nonprofit entities are subject to sales tax, regardless of the ultimate use of the proceeds.
- Gambling receipts include charges paid to participate, admissions, and ticket sales.
- See [Gambling: Games of Skill or Chance and Raffles.](#)

What Must Nonprofits Do When They Hold Gambling Events?

- Nonprofit organizations, including churches, that conduct games of skill, games of chance, raffles, bingo, and other games are required to obtain a gambling license and sales tax permit.
- To obtain a gambling license, see [Social & Charitable Gambling](#) on the Iowa Department of Inspections & Appeals Web site.
- To obtain a sales tax permit, complete the [Business Tax Registration](#) on the Iowa Department of Revenue Web site.

Questions?

- For more information see [Iowa Tax Issues for Nonprofit Entities](#)
- Call us: 8 a.m. - 4:15 p.m. CT
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