

# Schools – Sales and Purchases

111

Sales Tax Fact Sheet 111

Fact Sheet

This fact sheet explains how sales tax applies to sales and purchases made by schools and school districts.

## What's new in 2017

Starting July 1, 2017:

- Admissions to any game, event, or activity sponsored by the Minnesota State High School League will be exempt from sales tax
- The only taxable food sold through vending machines is prepared food, soft drinks, candy, and dietary supplements.

## Types of schools

**School districts** are public school entities and districts, organized under the laws of the state of Minnesota and administered by the Department of Education.

**Public schools** include primary and secondary schools, colleges and universities, academies, charter schools, the Minnesota Center for Arts Education, early childhood development classes (pre-kindergarten), alternative schooling (specialty classes) and community education classes.

**Private nonprofit schools** include primary and secondary schools, home schools, colleges and universities, academies and professional, trade, and career schools. To qualify for exemption, the private nonprofit school must

provide education equivalent to that furnished at public schools.

**Private for-profit schools** include primary and secondary schools, colleges and universities that provide education equivalent to that furnished at public schools. For-profit schools must pay sales or use tax on purchases of taxable goods and services.

**Private for-profit career schools**, such as business schools, licensed under M. S. Chapter 136A, must pay sales or use tax on purchases of taxable goods and services.

**Note:** The exemptions described in this fact sheet do not apply to for-profit schools unless specifically indicated.

## Purchases by schools

Goods, services and equipment purchased by public and private nonprofit schools and used by schools are exempt from sales tax.

The exemption **does not** apply to the following:

- prepared food, soft drinks and candy, including catered food—see “Meals at schools” on page 2 for exceptions
- lodging
- employee purchases—see “How to make exempt purchases” on page 2
- sales tax on most motor vehicles—see “Motor vehicles” on page 3 for exceptions

- 9.2% car rental tax and 5% car rental fee

Schools must also pay tax on waste collection and disposal services (this is a special tax, not a sales tax).

Recreational and athletic equipment, such as basketball hoops or fold-up bleachers, that are freestanding, are exempt when purchased by schools.

### Contracts to improve real property

Some items, such as backstops, playground equipment, and tennis courts are permanently affixed to real property by contractors. When a school hires a contractor

to build, repair, or improve real property or to permanently affix items to real property, a school's exemption may not be used to buy materials exempt for use in a lump-sum contract covering both labor and materials. Contractors do not charge sales tax to their customers on construction contracts. However, a contractor must pay sales or use tax on the cost of all materials, supplies, and equipment to complete the construction contract unless the school authorizes the contractor to act as its purchasing agent.

For more information, see Fact Sheet 128, *Contractors*, and Revenue Notice 95-05, *Construction Contracts—Purchasing Agent Exemption*.

### How to make exempt purchases

Public schools must give their suppliers a completed Form ST3, *Certificate of Exemption* or a purchase order or payment voucher that clearly shows that the school is a government entity.

---

## Special school exemptions

---

### Meals at schools

Prepared food, drinks, and catering services are exempt if they are furnished, served or delivered *on school premises*. School premises means the school building or grounds of any public or private (nonprofit or for-profit) school, grades pre-kindergarten through 12<sup>th</sup> grade.

Pre-kindergarten is a program designed to prepare pupils to enter kindergarten the following school year.

This exemption does not apply to meals at colleges, universities and private career schools, unless they are part of a board contract.

### 'Board contracts'

A "board contract" means a pre-paid contract or a lump sum charge for a set term of time with students at a college, university, or private career school. The exemption applies whether the meals are provided by the school or by a third party. The exemption applies to purchases with debit cards, "flex money," "bonus bucks," or any other method of purchase authorized by the educational institution under a board contract. Sales of meals and drinks to students who don't have a board contract, to faculty, employees, and all others are taxable.

### Vending machines

Starting July 1, 2017, the only taxable food sold through vending machine is prepared food, soft drinks, candy, and dietary supplements. Previously, all food sold through vending machines at schools were taxable.

**Private nonprofit schools** must give their suppliers a completed Form ST3, *Certificate of Exemption*, including their Minnesota tax identification number or exempt status number assigned to them, if they have one. To apply for an exempt status number, complete Form ST16, *Application for Nonprofit Exempt Status*.

### Individual purchases

Purchases made for a school by an employee who is later reimbursed by the school are taxable. Purchases are exempt from sales tax only when billed to and paid for by the school. Schools should not make exempt purchases for employees who will reimburse the school.

For more information, see Fact Sheet 158, *Vending Machines and Other Coin-Operated Devices*.

### Administrative offices

Administrative offices located off the school premises are not considered part of the school and therefore meals served at those offices are taxable.

### Examples

- A concession stand is located near a senior high school football field (on school premises) where hot dogs, beverages, etc., are sold during games. No sales tax should be charged because the concession stand is on school premises.
- A cafeteria at a university serves meals to students who have board contracts. These meals are not taxable because they are part of a board contract. However, meals to students who do not have board contracts, and to all others, are taxable.
- A wedding reception is held in an elementary school cafeteria and food is furnished by a caterer. The caterer should not charge sales tax on the meal because it is served on school premises.

### Textbook exemption

Textbooks prescribed for use in a course of study at a school as described on page one, including for-profit schools, home schools, and private career schools; are not taxable when sold to regularly enrolled students.

Beginning July 1, 2013, the exemption for textbooks also includes “digital” textbooks delivered electronically. For more information, see Fact Sheet 177, *Digital Products*.

To purchase exempt, the student must give the seller a completed Form ST3, *Certificate of Exemption*.

### Instructional materials

Instructional materials sold to a student for use directly in courses at post-secondary schools, colleges, universities, or private career schools, including for-profit schools, are exempt from sales tax.

Instructional materials are the electronic or other equivalent of a textbook that is contained on:

- interactive CDs
- tapes
- computer software
- digital audio clips
- digital audiovisual clips

To purchase instructional materials exempt, the student must give the seller a completed Form ST3, *Certificate of Exemption*.

### Supplies

Supplies do not qualify for the instructional materials exemption.

Examples include:

- pens, pencils, paper, and folders
- art supplies, easels
- beauty supplies (or kits)
- tools and tool boxes

### Motor vehicles

Vehicles purchased or used by a private nonprofit or public school for use as an instructional aid in a vehicle body and mechanical repair course are not taxable. This exemption does not include vehicles used in driver education programs.

Vehicles purchased or leased by private nonprofit schools, or other nonprofit groups organized exclusively for charitable, religious or educational purposes, that are used primarily to transport goods or people, other than employees, as part of the group’s nonprofit activities are exempt. To qualify, the vehicle must be a truck, bus or automobile designed to carry at least ten people. This exemption does not apply to governmental schools, school districts or organizations, or to private bus companies.

### Webinars

Charges for live or prerecorded audio and audiovisual presentations are exempt when they are accessed electronically if they meet the following requirements:

- admission to the in-person presentation is not subject to tax.
- online participants and the presenter can interact with each other while participants view the presentation; and
- any limits on the amount of interaction (and when it occurs) are the same for both online and in-person participants.

**Note:** Tuition is not taxable for classes a student attends online as part of a course of study at a post-secondary school, college, university, or private career school.

---

## Sales made by schools

---

Generally, sales tax applies to sales of taxable items because the exemption for school *purchases* does not apply to *sales* made by a school. Many schools sell taxable items in school stores, bookstores or directly to students. Some school organizations, such as band, the science club, or the Spanish club, also make sales. However, there are fundraising exemptions that may apply.

When sales receipts *must* be deposited with the district treasurer, the criteria of the fundraising exemptions do not apply. Tax must be collected on sales of taxable items. The school or school district must have a Minnesota tax identification number and be registered for sales tax.

**Note:** A separate exemption applies to sales of candy and gum when sold for fundraising purposes by school

groups – these sales are exempt even when the receipts are deposited with the district treasurer.

If sales are made and the receipts are deposited into a student activity account or other account, the sales are exempt if they meet the criteria of the fundraising exemptions. If the receipts *must* be deposited with the district treasurer, the sales are taxable.

Some organizations, such as PTA’s, PTO’s, booster clubs, and prom committees, are organized separately from the school. These organizations must have their own Minnesota tax identification number and be registered for sales tax and must collect and remit sales tax on taxable sales unless they qualify for the fundraising exemptions.

## Fundraising sales

Minnesota has two different exemptions that may apply to fundraising sales.

1. **Youth and senior citizen groups** – Beginning Jan. 1, 2015, the first \$20,000 of fundraising sales each year are exempt from sales tax. (The previous limit was \$10,000.)
2. **All nonprofit organizations** – Sales from up to 24 days of fundraising events each year are exempt from sales tax.

For more information, see the Nonprofit Organization Industry Guide and the flow chart “Do I need to charge sales tax on my fundraising sales?” You can view the flow chart on our website. Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and type **fundraising sales** into the Search box.

## Personal computers and related software

Personal computers and related software sold by a school, college, university or private career school are not taxable if:

- the school sells or leases the computer and software to its enrolled students,
- it is prescribed for use in a course of study at the school, and
- it is required as a condition of enrollment.

Sales, leases, rentals, or fees to use computers are taxable if they do not meet the above requirements.

## School tickets or admissions

### Pre-kindergarten through grade 12

Sales of tickets or admissions to regular season school games, events, and activities (e.g., concerts and plays) are exempt. This exemption applies to public, nonprofit, or for-profit schools with grades pre-kindergarten through grade 12 and to vocational center/career schools.

Sales of admissions to tournaments, post-season games and other non-regular season games, events and activities are taxable. Also taxable are admissions to swimming pools, ice skating rinks, tennis courts, handball courts and athletic fields.

### Minnesota State High School League

Starting July 1, 2017, admissions and tickets to games, events, and activities sponsored by the Minnesota State High School League are exempt from sales tax. This exemption ends June 30, 2027. Previously, these admissions were taxable between July 1, 2015 – June 30, 2017.

**Note:** Admissions may be sold through any venue to qualify for the exemption.

## University of Minnesota

Sales of admissions to artistic events sponsored by the University of Minnesota are exempt from both state and local sales taxes if the events are held at university-owned facilities.

## Private nonprofit colleges, universities or career schools

An exemption applies to tickets or admissions if the sales are made by an organization that qualifies as a nonprofit organization under 501(c)(3) of the Internal Revenue Code and that meets specific voluntary contribution criteria. For more information, see Revenue Notice 03-14, Nonprofit Admission Ticket and Fundraising Sales.

## Other sales by schools

### Examples of taxable sales by schools

- amusement device receipts such as from jukeboxes, billiard or pool tables, shuffleboard, foosball or ping pong tables, electronic games, fortune telling machines, crane pick-up machines, batting cages, rides, photo booths
- rental of recreation areas and athletic facilities
- art supplies
- books (other than textbooks), encyclopedias, dictionaries, and other general reference materials
- class rings
- graduation announcements
- houses—made by shop class (not attached to land) sold to a buyer who will move the house to another location
- lodging furnished for a period of less than 30 days, or a longer period when there is no written enforceable lease agreement that requires the lessor and lessee to give prior notice of their intention to terminate
- magazines and periodicals sold over the counter
- parking fees – see the Parking Service Providers Industry Guide
- pictures
- school supplies such as pencils, paper, notebooks
- shop supplies
- swimming pool admissions
- towel fees
- vending machine sales
- yearbooks

### Examples of exempt sales by schools

- graduation cap and gown rentals
- laundry washers and dryers (coin operated) both on and off school premises

- lodging furnished for a period of 30 days or more if there is a written enforceable lease agreement that requires the lessee to give prior notice of intention to terminate
- membership or club dues (general) to school organizations are exempt from sales tax; how-  
ever, if such membership or dues provide access to athletic or amusement facilities, they are taxable
- tuition

### **Legal References**

Minnesota Statutes 120A.22, subd. 4, School Defined  
 Minnesota Statutes 120A.05, Education Code, Definitions  
 Minnesota Statutes 141, Private Career Schools  
 Minnesota Statutes 297A.61, subd. 34, Taxable food sold through vending machines  
 Minnesota Statutes 297A.67  
   subd. 5, Exempt meals at schools  
   subd. 13, Textbooks  
   subd. 13a, Instructional materials  
   subd. 14, Personal computers prescribed for use by school  
   subd. 33, Presentations accessed as digital audio and audiovisual works  
 Minnesota Statutes 297A.70  
   subd. 2, Sales to government  
   subd. 4, Sales to nonprofit groups  
   subd. 10, Nonprofit tickets or admissions  
   subd. 11, School tickets or admissions  
   subd. 11(a), Minnesota State High School League tickets and admissions  
 Minnesota Statutes 297B.03 Exemptions for Sales Tax on Motor Vehicles  
 Minnesota Rule 8130.6200 Charitable, religious, and educational organizations  
 Minnesota Rule 8130.6700, Textbooks

### **Revenue Notices**

95-05 Construction Contracts – Purchasing Agent Exemption  
 02-11, School Meals – Board Contracts at Colleges, Universities, or Private Career Schools  
 03-14, Nonprofit Admission Ticket and Fund-raising Sales

### **Other Fact Sheets**

102A, *Food and Food Ingredients*  
 102B, *Candy*  
 102C, *Soft Drinks and Other Beverages*  
 102D, *Prepared Food*  
 102E, *Dietary Supplements*  
 128, *Contractors*  
 158, *Vending Machines and Other Coin-Operated Devices*  
 177, *Digital Products*

### **Industry Guides**

Nonprofit Organizations  
 Parking Service Providers