

**This notice was revoked and replaced on October 20, 2003
by Revenue Notice # 03-14.**

Minnesota Revenue Notice # 00-01

Sales and Use Tax – Definition of "Sponsored by"

Introduction

The purpose of this revenue notice is to define "sponsored by" as used in the sales tax exemptions for certain tickets and admissions in *Minnesota Statutes*, section 297A.25, subdivision 24, and certain fundraising event sales in *Minnesota Statutes*, section 297A.256, subdivision 1(c).

Sponsored By

An event is "sponsored by" a nonprofit organization if:

- the nonprofit organization actively participates in planning and managing the event, and
- the entire net proceeds from the event go to the nonprofit organization.

Active Participation

A nonprofit organization actively participates in an event by taking part in the planning process, being involved in making decisions regarding how the event will function and by retaining oversight over the event. Although the nonprofit organization may hire an outside entity to help plan or run the event, the exempt organization must retain final authority over the event in order to actively participate in the event.

It is not necessary that the nonprofit organization actually work at the event as long as they have actively participated in the planning process and retained decision-making authority.

Proceeds to Nonprofit Organization

The entire proceeds from the fundraising event, except for necessary expenses, must be used by the nonprofit organization for charitable, religious, or educational purposes. Necessary expenses are those reasonably required to be spent to conduct the event. If exorbitant or unnecessary expenses are paid from the proceeds, the event will not qualify for either of these exemptions.

Other Requirements

In addition to actively participating in and receiving the entire net proceeds from the event, all other requirements of *Minnesota Statutes*, sections 297A.25, subdivision 24, and 297A.256, subdivision 1(c), must be met in order to qualify for either of these exemptions. If the nonprofit organization hires an outside entity to help plan or run the event, there must be a written agreement stating the role of the nonprofit organization and that all net proceeds will go to the nonprofit organization.

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