

Department of Revenue

Revenue Notice # 03-14: Sales and Use Tax – Nonprofit Admission Ticket and Fund-raising Sales – Revocation of Revenue Notice # 00-01

This revenue notice updates and replaces Revenue Notice # 00-01 by explaining the 2003 amendments to Minnesota Statutes, section 297A.70, subdivisions 10 and 14, and sets forth the requirements that must be met by nonprofit organizations to qualify for the admission ticket and fund-raising exemptions and for facilities to follow when handling ticket sales for events sponsored by nonprofit organizations.

Background

Only organizations, that have been determined to meet the requirements of section 501(c)(3) of the Internal Revenue Code and whose primary mission is to provide an opportunity for citizens of the state to participate in the creation, performance, or appreciation of the arts, qualify to sell tickets exempt from sales tax under Minnesota Statutes, section 297A.70, subdivision 10.

All 501(c)(3) organizations, units of government, civic and fraternal organizations, senior citizens groups, youth groups and veterans groups may claim the fund-raising exemption if the requirements in Minnesota Statutes, section 297A.70, subdivision 14, are met.

Department Position

In order to qualify for the admission ticket and fund-raising exemptions, the nonprofit organizations must meet the following requirements:

Any contract for the use of a facility must be entered into between the nonprofit organization and the facility and the contract must be signed and dated before tickets to the event are sold.

The nonprofit organization must indicate in their contract for use of the facility whether they are claiming the admission ticket exemption or the fund-raising exemption. If the nonprofit organization is claiming the admission ticket exemption, the facility must receive from the nonprofit organization a copy of their federal letter indicating that it is a 501(c)(3) organization.

If the nonprofit organization is claiming the fund-raising exemption, the facility must receive from the nonprofit organization: (1) a copy of their federal or state letter of nonprofit status determination or (2) a copy of their Articles of Incorporation stating they are a nonprofit organization. If a unit of government is claiming the fund-raising exemption, it must provide the facility with a certified letter from the head of the government unit or a person having delegated authority to act on its behalf. In addition, the nonprofit organization must provide the facility with a letter certifying that the organization will not have more than 24 days of selling events during the year. If the organization is a senior citizens or youth group, it may provide a letter certifying that its total sales will not exceed \$10,000 during the year. If total sales do exceed \$10,000, the youth or senior group must meet the 24 days of selling events requirement in order to qualify for the exemption.

All documents must be provided by the nonprofit organization prior to entering into a contract for use of the facility. If the owners and/or operators of the facility do not receive the required documentation from the nonprofit organization, they must collect sales tax on ticket or admission sales for the event.

Any other contracts relating to admission or ticket sales must be entered into by the nonprofit organization and contracts between nonprofit organizations and third parties involved in the event such as promoters, entertainers, and advertisers must be signed and dated before tickets to the event are sold.

The nonprofit organization must actively participate in all stages of the event by taking part in the initial planning process, by being involved in making decisions regarding how the event will function, and by retaining oversight over the event. The nonprofit organization may hire a third party to help plan or run the event but the nonprofit organization must retain final authority over the event in order to actively participate in the event.

If the nonprofit organization hires an outside third party to help plan or run the event, there must be a written agreement stating: (1) the role of the nonprofit organization, (2) that all the gross receipts from the event will be recorded on the books of the nonprofit organization, and (3) that all the requirements set forth in this Revenue Notice will be followed.

The nonprofit organization must record all the gross receipts from the event on its books. Therefore, all funds from the event must flow to the nonprofit organization, which would then pay the facility and any third parties helping to plan or run the event for their expenses. The funds paid for use of the facility should be recorded as revenue for the facility and as an expense by the organization. However, if the facility collects the gross receipts from the ticket sales, the facility may deduct the facility's expenses from the receipts before providing the remaining receipts to the nonprofit organization.

The nonprofit organization must bear the risk of loss for the event.

All other requirements of Minnesota Statutes, section 297A.70, subdivisions 10 and 14, must be met in order to qualify for exemption.

Revenue Notice # 00-01: Sales and Use Tax – Definition of “Sponsored by,” is hereby revoked.

Raymond R. Krause
Assistant Commissioner

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