

Revenue Notice # 07-12: Sales and Use Tax – Charitable Organization Exemption – Exempt Status Revocation After Adverse Property Tax Exemption Determination

Background

Minnesota Statutes §297A.70, subd. 4(a)(1) exempts certain sales to nonprofit organizations that are organized and operated exclusively for charitable purposes if the item purchased is used in the performance of its charitable function. To purchase items without paying sales tax, the organization must apply to the department for an exempt status number. This Revenue Notice explains the department's position when a nonprofit organization that has been given an exempt status number as a charitable organization for sales and use tax purposes is found not to be an exempt charitable organization for property tax purposes.

Department Position

As set out in *Mayo Foundation v. Commissioner of Revenue*, 306 Minn. 25, 236 N.W.2d 767 (1975) and *North Star Research Institute v. County of Hennepin*, 306 Minn. 1, 236 N.W.2d 754 (1975), the Minnesota courts have established the identical test for both property tax and sales tax purposes to determine whether a nonprofit organization qualifies as an exempt charitable organization. Therefore, if there is a final judicial determination that a nonprofit organization has failed to qualify as a charitable organization for property tax purposes it will also not qualify as an exempt charitable organization for sales tax purposes. The department will initiate revocation of an exempt status number that may have been given to the organization.

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