

# 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

Sales made by school-associated student groups are exempt from sales tax when certain conditions are met. See page Fundraising Sales on page 4.

## Types of Schools

### School Districts

Public school entities and districts, organized under the laws of the state of Minnesota and administered by the Minnesota Department of Education.

### Public Schools

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

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

Primary and secondary schools, colleges, and universities that provide an 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

Business schools, licensed under Minnesota Statute 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
- 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 the Contractors and Other Property Installers Industry Guide and Revenue Notice 17-10, Construction Contracts with Exempt Entities.

### **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.

### **Private Nonprofit School Exempt Purchases**

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.

## **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**

The only taxable food sold through vending machine is prepared food, soft drinks, candy, and dietary supplements.

For more information, see the Vending Machines and Other Coin-Operated Devices Industry Guide.

## 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.

The exemption for textbooks also includes “digital” textbooks delivered electronically. For more information, see the Digital Products Fact Sheet.

## 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.

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.

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## Sales Made by Schools

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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.

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, be registered for sales tax, and must collect and remit sales tax on taxable sales unless they qualify for the fundraising exemptions.

### Fundraising Sales

Fundraising sales made by youth organizations may qualify for a fundraising exemption. The first \$20,000 of qualifying fundraising sales each year are exempt from sales tax. (Before January 1, 2015 the limit was \$10,000).

**Note:** A separate exemption applies to sales of candy and gum when sold for fundraising purposes by school groups – these sales are exempt and do not have a limit.

Starting July 1, 2021, sales made by school-associated student groups are exempt from sales tax, even when the money is recorded as part of school district revenues, when all the following apply:

- the sales are for fundraising purposes of elementary or secondary student organizations to fund extracurricular activities such as sports, arts, etc.
- the school district reserves the revenue raised for extracurricular activities and the money raised for a specific activity is spent on that activity.

**Note:** This restores the exemption that was in place before 2019.

For more information, see the Nonprofit Organization Industry Guide and youth group flowchart on our website.

### 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.

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## School Tickets or Admissions

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### 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**

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.

**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.

### **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; however, 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 123B.49, subd. 4, Board control of extracurricular activities

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

subd. 13, Fund-raising sales by or for nonprofit groups

subd. 14, Fund-raising events sponsored by nonprofit groups

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**

02-11, School Meals – Board Contracts at Colleges, Universities, or Private Career Schools

03-14, Nonprofit Admission Ticket and Fund-raising Sales

17-10, Construction Contracts with Exempt Entities

## **Other Fact Sheets**

Candy

Dietary Supplements

Digital Products

Food and Food Ingredients

Prepared Food

Soft Drinks and Other Beverages

## **Industry Guides**

Contractors and Other Property Installers

Nonprofit Organizations

Parking Service Providers

Vending Machines and Other Coin-Operated Devices