

Nonprofit organizations

In Washington, nonprofit organizations are generally taxed like any other business. They must pay business and occupation (B&O) tax on gross revenues generated from regular business activities they conduct. They must pay sales tax on all goods and retail services they purchase as consumers, such as supplies, lodging, equipment, and construction services. In addition, nonprofit organizations must collect and remit retail sales tax on their sales of goods and retail services.

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Overview

What is a nonprofit organization?

An organization may be considered a “nonprofit” organization because:

- It is formed under the Washington nonprofit corporation act,
- It qualifies as a nonprofit for federal tax purposes, or
- It is a church, charity, or benevolent organization.

However, for Washington state tax purposes, all such organizations are taxed in the same manner as for-profit organizations.

Additional related topics:

Nonprofit consumable purchases

Sales to schools, government, churches, and other organizations

Nonprofit registration requirements

Does the law provide any tax exemptions for nonprofit organizations?

Limited exemptions are provided for:

Nonprofit fundraising activities

Donations

Limited B&O or retail sales tax exemptions may be available to certain nonprofit organizations:

- Youth character building organizations (RCW 82.04.4271) (RCW 82.08.0291).
- Student loan debt and guarantee organizations (RCW 82.04.367).
- Credit and debt counseling services (RCW 82.04.368).
- Organizations operating sheltered workshops (RCW 82.04.385).
- Certain fraternal and beneficiary organizations (RCW 82.04.370).

Registration requirements

Who must register with the Department of Revenue?

If a nonprofit organization conducts taxable business activities in Washington, or if it is required to collect retail sales tax or any other tax or fee administered by the Department, then it must register.

Are there any exceptions to registration?

Yes. Qualifying nonprofit organizations only conducting fundraising activities that do not constitute the operation of a regular place of business are not required to register with the Department of Revenue.

In addition, organizations that have gross income of less than \$12,000 per year and that aren't required to collect sales tax or any other tax or fee administered by the Department are also not required to register with the Department.

How does my organization register with the Department?

If your organization conducts taxable business activities in Washington, it must register. If your organization does not have a Unified Business Identifier (UBI) number and it is a corporation, limited partnership (LP), limited liability company (LLC) or limited liability partnership (LLP), you should first contact the Secretary of State for information on registering.

A UBI number is a nine-digit number that is also your Department of Revenue account ID. Sole proprietorships and general partnerships can begin by completing a Business License Application.

Once registered, you will receive a business license and UBI number from the Business Licensing Service. The Department will mail excise tax returns to you based on your assigned filing frequency (annual, quarterly, or monthly).

What if my organization already has a UBI number?

Even though your nonprofit has a UBI number, it may not be registered with the Department of Revenue. If you didn't check the "Tax Registration" box under the Licenses and Fees section of the Business License Application, then you are probably not registered with the Department of Revenue. If you are unsure whether your UBI number is also opened with the Department, please contact us.

(See Register My Business for more information.)

Purchases of consumable supplies, equipment, furniture, and retail services

Washington State law does not give nonprofit organizations a blanket sales tax or use tax exemption. Generally, nonprofit organizations are taxed like any other consumer or business on their purchases or rentals of consumable supplies, furniture, equipment, and retail services. Nonprofit organizations must pay sales tax to the seller at the time of purchase. You pay use tax when the seller does not collect sales tax at the time of sale (for example, items purchased over the Internet and by mail order.) Use tax is paid on the Excise Tax Return or on the Consumer Use Tax Return.

Examples of goods and services subject to sales/use tax include:

- Office supplies.
- Kitchen supplies.

- Cleaning supplies.
- Equipment (for example, appliances, computers, tools).
- Office and facility furnishings.
- Vehicles and parts.
- Hospitality services (meals, lodging, catering).
- Landscaping services.
- Construction, repair, remodel, installation services.

Are there any exceptions?

- A use tax exemption is available for goods and certain retail services donated to nonprofit organizations. RCW 82.12.02595. See the Donations section for more information.
- A nonprofit organization can provide a reseller permit to vendors for purchases of goods or services they will resell in the regular course of business, or that they will resell as part of a qualifying fundraising activity.

Nonprofit organizations attending conventions, meetings, or workshops in Washington State

Out-of-state nonprofit organizations frequently attend conventions, meetings, or workshops in Washington. Most purchases of goods and services by nonprofits or their members are subject to sales tax, whether paid for individually or by the organization. These include:

- Meals.
- Hotel rooms.
- Banquet facilities.
- Rental cars.

When can I use a Reseller Permit?

Nonprofit organizations that purchase meals that they will resell to attendees as part of a qualifying fundraising activity may provide a reseller permit to hospitality businesses (hotels, restaurants, caterers) that sell meals.

Nonprofits may also purchase items that they will resell in the regular course of business or as part of a qualifying fundraising activity without paying sales tax by providing the seller with a reseller permit.

Obtaining a Reseller Permit

The Department will issue reseller permits based on specific criteria. Businesses that don't automatically receive a reseller permit, including nonprofits, may apply directly to the Department by completing an application. See Reseller Permits for more information.

Fundraising

Nonprofit organizations are generally required to collect and remit retail sales tax and pay business and occupation (B&O) taxes on their sales of goods and retail services. However, the law provides limited exemptions for certain fundraising activities.

The B&O and sales tax exemptions are limited to:

- Fundraising activities.
- Conducted by qualified nonprofit organizations.
- That do not constitute a regular place of business.
- Where the proceeds of the fundraising are used to further the nonprofit's goals.

What is a qualifying nonprofit organization?

Qualifying nonprofit organizations must be one of the following:

- A tax-exempt nonprofit corporation described by §501(c)(3), (4), or (10) of the IRC.
- A nonprofit organization that would qualify for tax exemption under these codes except that it is not organized as a nonprofit corporation.
- A nonprofit organization that does not pay its members, stockholders, officers, directors, or trustees any amounts from its gross income, except as compensation to any person for services rendered and does not engage in a substantial amount of political activity. (RCW 82.04.3651)

What are the fundraising exemptions?

- RCW 82.04.3651 provides a **business and occupation (B&O)** exemption to qualified nonprofit organizations for amounts received from certain fundraising activities.
- RCW 82.08.02573 provides a comparable **retail sales tax exemption** for qualified nonprofit organizations for amounts received from certain fundraising activities.

- RCW 82.12.225 provides a limited use tax exemption to consumers that support the charitable activities of nonprofit organizations or libraries. The exemption applies to the use of any article of personal property purchased, or won as a prize in a game of chance, from a nonprofit organization or library as part of a qualifying tax-exempt fundraising activity. The exemption applies as follows:

Period	Any article of personal property valued under
Effective Jan. 1, 2025	\$15,020
Jan. 1, 2024 through Dec. 31, 2024	\$14,590
Jan. 1, 2023 through Dec. 31, 2023	\$13,920
Jan. 1, 2022 through Dec. 31, 2022	\$12,780
Jan. 1, 2021 through Dec. 31, 2021	\$12,250
Oct. 9, 2015 through Dec. 31, 2020	\$12,000
Oct. 1, 2013 through Oct. 8, 2015	\$10,000

Tax-exempt fundraising activities

Qualifying nonprofits conducting fundraising activities are exempt from collecting and remitting sales tax and paying B&O tax on income earned from fundraising activities if:

- The income is used to further the organization's goals.
- The fundraising activity is not held at a regular business location.

Examples

- A nonprofit 501(c)(3) organization operates a food booth for five days each July at the local community fair. The funds benefit the organization's scholarship fund.
- A nonprofit youth organization raises funds by selling tee shirts door to door for 3 weeks. The money is used to sponsor after school recreation youth programs in the community.
- A school PTO holds an annual dinner/auction to raise money for new playground equipment at the school.

- A church sponsors a spaghetti feed held in their basement. Proceeds are donated to assist in providing relief to natural disaster victims.

Spirits sales

The discussion below assumes that the nonprofit organization has obtained the proper permits from the Liquor and Cannabis Board (LCB) to sell spirits. Questions concerning the permits should be directed to LCB at <https://lcb.wa.gov/> or 360-664-1721.

Sales of spirits by the drink or glass

If the organization will be reselling spirits by the glass or drink for on-premises consumption, the organization would **pay** spirits taxes to the distributor at the lower on-premises rates of both of the following:

- 13.7 percent of the purchase price.
- \$2.4408 per liter.

If these sales are part of a qualifying fundraising event, the nonprofit organization is not required to collect sales tax or pay B&O tax on sales of spirits by the glass or drink.

Sales of spirits by the unopened bottle

If the organization will be reselling the spirits by the unopened bottle for off-premises consumption, the organizations can purchase the spirits exempt of the spirits tax from distributors, but the organization must collect and remit to the Department the spirits taxes from their customers at the rate of both of the following:

- 20.5 percent of the selling price.
- \$3.7708 per liter.

The exemption from B&O and sales tax for qualified fundraising activities does not apply to the spirits taxes under RCW 82.08.150.

Note: Because the nonprofit organization is required to collect and remit the spirits sales tax, they cannot be on Active Non Reporting and must file electronically with us.

Wine auctions

The discussion below assumes that the nonprofit organization has obtained the proper permits from the Liquor and Cannabis Board (LCB) to sell wine at auction. Questions concerning the permits should be directed to LCB at <https://lcb.wa.gov/> or 360- 664-1721.

Under recent legislation, nonprofit organizations may sell wine by auction for off-premises consumption; and allow tasting of samples of the wine to be auctioned at the event. Below are the tax implications when making such sales.

Fundraising event

If a qualifying nonprofit organization is directly selling the wine and the auction is a qualifying fundraising event then both of the following apply:

1. Sales of the wine are exempt from B&O tax and retail sales tax.
2. The nonprofit organization does not owe use tax on the wine being sampled.

Non fundraising event

If the event does not qualify as a fundraising event (as defined in this guide) then all of the following apply:

1. The nonprofit organization must collect and remit retail sales tax on their sales of wine.
2. The income received from the sales of the wine is subject to B&O tax under the Retailing classification.
3. The nonprofit organization must pay use tax on the retail value of the wine consumed during the sampling.

Sales by wine manufacturers

Sales by wine manufacturers at the event do not qualify for the exemptions for fundraising. If the wine manufacturers are making the sales at the event then all of the following apply:

1. The wine manufacturer must collect and remit retail sales tax from the buyers.
2. The income received from such sales is subject to B&O tax under the Retailing classification.
3. The wine manufactures must pay use tax on the retail value of the wine consumed during sampling.
4. Any amounts paid to the nonprofit organization (e.g. fees, commissions, etc.) are not deductible for B&O or retail sales tax purposes.
5. Amounts received by the nonprofit organization from the wine manufacturer (e.g. fees, commissions, etc.) are generally subject to B&O tax under the Service and Other Activities classification.

Taxable business activities by nonprofits

Nonprofit organizations that conduct business activities at a regular place of business during regular hours do not qualify for the fundraising exemptions.

Examples

- A nonprofit operates a bookstore/ gift shop at a regular business location with established hours (for instance, open Tuesdays and Saturdays from 10:00 am to 4:00 pm, or every Saturday throughout the year). The gift store sales are business activities at a regular place of business with regular hours.
- A church runs a thrift shop at a regular business location Saturdays only from 8:00 am to 4:00 pm at store premises leased by the organization and used for the thrift store and other organization activities. The thrift store sales are business activities conducted with a regular place of business with regular hours.
- A nonprofit youth organization sells tee-shirts, shopping bags, books, etc., from its web site on a continual basis. The web site sales are business activities conducted at a regular place of business with regular hours.

Can I purchase items I will resell without paying sales tax?

Yes. Nonprofits may purchase items that they will resell in the regular course of business or as part of a qualifying fundraising activity without paying sales tax by providing the seller with a reseller permit. If your organization only conducts fundraising activities, you may apply to receive a free reseller permit.

If your organization makes sales of goods from a regular place of business, you must get a reseller permit to purchase your inventory items at wholesale without paying sales tax.

Your organization must register with the Department if it:

- Conducts taxable business activities.
- Is required to collect retail sales tax.
- Collects other taxes and fees.

Nonprofit organizations that purchase meals that they will resell to attendees as part of a qualifying activity may also provide a reseller permit to hospitality businesses (hotels, restaurants, caterers) that sell meals.

Please refer to the following for more information on the taxability of nonprofit organizations and the fundraising exemption:

WAC 458-20-169

Donations

Cash Donations

- Cash donations (gifts or contributions) are not subject to business and occupation (B&O) tax or retail sales tax as long as the donor does not receive any significant goods or services in exchange for the donation.
- If the donor receives significant goods or services, then the donations are subject to tax based on the activity or service provided.

Donated Goods

- Nonprofit organizations are exempt from use tax on items donated to them.
- Use tax does not apply to goods donated or bailed by a nonprofit organization to a person who uses it for the purpose for which it was originally donated.
- Persons who donate goods to nonprofit charitable organizations or state or local government entities are exempt from use tax if they have had no intervening use of the goods.

Example: A hardware store donates an industrial pressure washer to a nonprofit community center for neighborhood cleanup. The community center loans the washer to people enrolled in its neighborhood improvement group for neighborhood clean-up projects. No use tax is due from any of the participants in these transactions.

Donated Services

- Use tax does not apply when labor and services are donated to a nonprofit charitable organization at no charge, such as installing, repairing, cleaning, altering, imprinting, or improving personal property.

For more information please refer to RCW 82.12.02595 and WAC 458-20-169.

Schools, Government, Churches, and Other Organizations – Sales Tax

Nonprofit organizations must pay sales tax on goods and retail services they purchase as consumers, unless a specific exemption applies.

Nonprofit organizations may give their vendors a reseller permit for items they will resell in the regular course of business or as part of qualifying fundraising activity. (See the Fundraising section for more information.)

Schools

Schools must pay sales tax on goods and retail services they purchase as consumers, unless a specific exemption applies. This applies to both public and private schools.

Nonprofit private schools that qualify (or would qualify if the school applied) for IRS 501(c)(3) status as an educational organization may give their vendors a reseller permit for items they will resell as part of a qualifying fundraising activity. (See the Fundraising section for more information.)

Public schools may not use a reseller permit to purchase goods and services. Public schools must pay sales tax on these purchases unless a specific exemption applies. (See the *School District Guide* for more information.)

(See WAC 458-20-167 for more information on educational institutions and private schools.)

Churches

Churches must pay sales tax on goods and retail services they purchase as consumers, unless a specific exemption applies. (For example: construction and landscaping services are subject to sales tax.)

Churches that qualify may give their vendors a reseller permit for items they will resell as part of a qualifying fundraising activity. (See the Fundraising section for more information.)

Political Organizations

Political organizations must pay sales tax on goods and retail services they purchase as consumers, unless a specific exemption applies.

Political organizations may give their vendors a reseller permit for items they will resell. Reseller permits provided by political organizations must have a UBI/account ID number issued by the Department of Revenue to be valid.

Political organizations do not qualify for the fundraising exemptions for B&O tax and sales tax.

Schools, Government, Churches, and Other Organizations – Sales Tax

American Red Cross

The American Red Cross is not subject to sales tax on goods and retail services it purchases as a consumer. RCW 82.08.0258.

Government

State and Local Government

All purchases of goods and retail services by the state of Washington, its departments and institutions, and to municipal corporations of the state (cities and counties) are subject to sales tax, unless a specific exemption applies.

US Government

The US Government is not subject to sales tax on goods or retail services it purchases as a consumer. RCW 82.08.0254.

The fact that a purchase is made by a federal entity, such as an instrumentality or a federal corporation, does not mean that the purchase is exempt from sales tax. The taxability of a federal entity and whether or not the entity is required to collect and remit retail sales/use tax depends on the benefits and immunities conferred upon it by Congress.

US Government Employees

Purchases made by and paid for by US government employees (including military personnel) are subject to sales tax, even when the US government will reimburse the employee for cost.

US Government Credit Card Purchases

See the Tax Topic: How to document United States government purchases for information on when such sales are subject to sales tax or exempt.

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