

School district

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The purpose of this information is to help school districts understand Washington's excise taxes. For additional information or answers to any questions about Washington excise taxes, please [contact us](#).

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Overview

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School districts are considered municipal corporations and are required to collect and remit:

- [Business and Occupation tax](#)
- [Retail sales tax](#)
- [Use tax](#)

Purchases/sales for resale

Purchases/sales for resale

School districts are not eligible to make purchases using a reseller permit. Because school districts do not typically collect retail sales tax, they must pay retail sales tax on all retail items they purchase (see below).

Taxable and nontaxable purchases

School districts must pay retail sales tax or use tax on the following goods and services:

- Catering services
- Construction services
- Copying services
- Equipment, including used and surplus
- Landscape maintenance and horticultural services
- Lease or rental of tangible personal property
- Lodging
- Magazine subscriptions
- Musical instruments
- Office supplies
- Portable classrooms
- Prewritten software, including updates and patches
- School books
- Telephone services
- The use of a recreational facility when the owner controls the facility

The following goods and services are not subject to retail sales tax/use tax:

- Computer training
- College testing services
- Chemical toilet services
- Internet access
- Janitorial services

- A license to use a recreational facility when the school district controls the facility
- Newspapers
- Piano tuning services
- Royalty payments for use of music, scripts, etc.

Digital Curriculum Streamed or Accessed Online

Certain digital products purchased by school districts are exempt from sales and use tax. Examples include digital textbooks, online supplemental teaching materials, educational software, and study materials. To qualify for the tax exemption, all of the following requirements must be met:

- (1) The product must be a “digital good,” digital automated service (DAS), or remote access software (RAS), as defined in current law (see note below);
- (2) Students must be able to access the products at a school library (either at the physical location or via a website), free of charge; and
- (3) The purchaser must provide the vendor with a completed [Digital Products and Remote Access Software Exemption Certificate](#), with the “Purchased to be made available free of charge to the general public” box checked.

Note 1: It is **not** required that the digital products be made available to non-students.

Note 2: For definitions of “digital goods,” DAS, and RAS, please see our [Digital Products page](#).

Food services

Food services

When meals are prepared offsite and sold to the school district, retail sales tax applies on the charge for the meals and the seller is subject to B&O tax under the Retailing classification on this income.

Income for the management of a food service program is subject to B&O tax under the Service and Other Activities classification. Such contracts are not subject to retail sales tax.

Sales of meals by the school to students, faculty, and staff are not subject to retail sales tax.

Working with vendors

Some Washington registered vendors may not initially collect retail sales tax when selling to schools because they may think the school is exempt. If this occurs, the school should notify the vendor that sales tax applies and request that a new invoice be issued.

If the vendor does not issue a new invoice or collect retail sales tax, the school should pay “deferred sales tax” directly to the state. Deferred sales tax is reported and calculated on the use tax line of the tax return. To determine the local sales tax rate, use the [Tax Rate Lookup](#).

Working with contractors

When a school district hires a contractor, the school district must obtain and keep a record of the contractor’s UBI number. Failure to do so may result in a penalty of up to \$250. Additionally, school districts must pay retail sales tax on any construction work performed for them.

Donated goods

School districts are not subject to use tax on donated goods or donated amusement and recreational services. Donors are also exempt from use tax on amusement and recreational services (such as rounds of golf) donated to school districts.

Sales between schools within a school district

Charges between schools within a school district or other budgetary units, do not constitute bona fide sales and are not taxable.

Nonenterprise activities

Nonenterprise activities

Nonenterprise activities are activities not financed and operated in a manner similar to a private business. Activities include all sales of goods and services that are exclusively governmental in nature, and related to providing public education.

Nonenterprise activities also include activities funded by less than 50% of user fees or charges to consumers.

For example, the cost of maintaining recreational facilities that a school may lease to organizations or groups is rarely, if ever, funded more than 50 percent with amounts charged to those groups or organizations.

To determine the percentage, user fees or charges to consumers must be measured against the total costs attributable to providing the activity, including overhead. This review should be performed on the fiscal year basis used by the school district in maintaining its books and records.

Application of tax

- Nonenterprise activities are exempt from B&O tax.
- Retail sales tax must be collected on nonenterprise activities defined as retail sales.

Examples of non-retail, non-enterprise activities (exempt from B&O tax, exempt from RST):

- charges for academic transcripts
- charges for admission for school events
- charges to a group, organization, or the public for use of recreational facilities when the school does not control the facility
- sales of meals/beverages to students, faculty, and staff
- shop & lab fees

Enterprise activities

Enterprise activities

Enterprise activities are activities financed and operated in a manner similar to a private business and includes activities in competition with private businesses. They are subject to tax in the same manner as a private business. Activities include sales of goods and services that are not exclusively governmental and are not directly related to providing public education.

The activity must also be funded by over 50% of user fees to be considered an enterprise activity. See non-enterprise activities for how to determine the percentage.

Application of tax

- Income received from enterprise activities is subject to the B&O tax under the appropriate classification.
- Retail sales tax must be collected on retail sales.

Examples of retail enterprise activities (subject to retailing B&O tax, subject to RST):

- Sales of meals to the public or to guests of students.
- Sales of tangible personal property, such as surplus equipment. (Excluding student store sales)
- Charges or fees to students, faculty, or the public for parking or parking stickers.

Examples of non-retail enterprise activities (subject to service and other activities B&O tax, exempt from RST):

- Commission income from allowing coin-operated machines on the school premises (telephones, candy, soda pop, etc.)
- Income from special event (non-school) admission fees.
- Rental income from renting conference facilities. (If funded over 50 percent with user fees)

Student stores operated by the school

Student stores operated by the school

The school is considered the consumer of all goods that pass through a student store operated by the school. Therefore, the school is not eligible to use a reseller permit and must pay retail sales tax at the time of purchase on all taxable goods sold at student stores, such as student supplies, soft drinks, etc.

The school does not report the sales from the student store as these sales are not taxable and retail sales tax is not collected from students.

If the student store is operated by the ASB, PTA, or some other organization, see our discussion for sales by those groups.

School purchases of student photographs, class rings, and yearbooks

When the school is responsible for making payment to the vendor, it must pay sales tax. This is true regardless of how and when funds are collected from students.

As in the case of student stores, the school considered the consumer and is not purchasing then reselling the items, but recouping its cost. Therefore, the amounts received by the school are not taxable and retail sales tax is

not collected from the students.

Sales by ASBs, PTAs, PTSAs, and booster clubs

Sales by ASBs, PTAs, PTSAs, and booster clubs

Taxable sales

Sales made by Associated Student Body (ASB) organizations, Parent Teacher Associations (PTA), Parent Teacher Student Associations (PTSA), and Booster Clubs on a regular recurring basis are taxable in the same manner as sales made by regular business operations. These events include, but are not limited to, sales at the student store, concession stands at sporting events, ongoing sales of spirit wear, and weekly or monthly popcorn sales. The Department considers these activities to be the “operation of a regular place of business.” As such, the ASB, PTA, PTSA, or Booster Club must collect sales tax and remit it to the Department of Revenue. In addition, the gross proceeds received by the organization are subject to the business and occupation (B&O) tax under the Retailing classification. For information on registering with the Department of Revenue, visit us [online](#).

The organization may purchase these items for resale without payment of sales tax by providing the vendor with a copy of its [reseller permit](#). The organization may also pay the sales tax to the vendor, then recoup the sales tax by claiming a “[Taxable Amount for Tax Paid at Source](#)” deduction under the retail sales tax section of the return when filing with the Department of Revenue.

Qualified fundraising activities

Nonprofit organizations associated with school, such as ASBs, PTAs, PTSAs, and Booster Clubs 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 from the operation of a regular place of business. However, the law provides limited B&O and sales tax exemptions for certain fundraising activities. (RCW [82.04.3651](#) and [82.08.02573](#))

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

- fundraising activities
- conducted by qualified nonprofit organizations
- that do not constitute the operation of a regular place of business in which sales are made during regular hours
- where the proceeds of the fundraising are used to further the nonprofit’s goals

ASBs, PTAs, PTSAs, and Booster Clubs are eligible for a B&O tax and retail sales tax exemption for qualifying fundraising activities. A qualifying fundraising event is one where the nonprofit organization (ASBs, PTAs, PTSAs, Booster Club) holds an event specifically for the purpose of soliciting or accepting contributions to fund other activities (and not just funding the event itself) that further the goals of the nonprofit organization. In addition, such events must be periodic as not to be classified as a regular business operation.

Examples of qualifying fundraising activities include:

- The school PTA holds an annual dinner/auction to raise money for new playground equipment at the school
- The ASB holds car washes on several Saturdays in the Spring to raise money for a school dance
- The school PTA holds a raffle for two weeks to raise money for a new school reader board
- The Booster Club sells spirit wear for three weeks in the Fall to raise money for new school sporting equipment

Examples of taxable activities include:

- ASB operates a student store open during lunch every day
- The PTSA operates a concession stand during every home baseball game
- The Booster Club sells spirit wear throughout the year
- The PTA sells popcorn to the students on a weekly or monthly basis

The Department considers these activities to be the “operation of a regular place of business” and not eligible for the fundraising exemptions from B&O tax and sales tax.

See [ETA 3096.2009](#) Fundraising Activities of Public Schools, Associated Study Body Groups and Parent Teacher Associations

Consignment sales in conjunction with a commercial business: Subject to retail sales tax

Sometimes a PTA, PTSA, ASB, or Booster Club agrees to make sales on behalf of a commercial business to raise funds for their nonprofit organization. If the nonprofit organization collects the sales proceeds from the customers, they must also collect retail sales tax on the gross proceeds of all such sales. The organization must remit the sales tax directly to the Department of Revenue unless they can show that the commercial business they represent are registered with the Department, in which case, they could remit the sales tax to the commercial business.

Any commissions earned by the organization would qualify for the fundraising exemption so that they will not owe B&O tax on the commissions.

Example: The PTA puts on a ski swap event one weekend a year in the high school gym. The PTA uses the funds to support various projects at the school. The PTA arranges for local businesses that sell ski equipment and individuals to provide new and used ski equipment for sale during the event.

In this case, the PTA is making consignment sales for the owners of the goods. The PTA must collect retail sales tax on the gross proceeds of all sales. While the PTA qualifies for the fundraising exemption from the B&O tax on the commission it receives, the sales themselves are not exempt from sales tax.

Under these circumstances the PTA will then take the following steps:

1. Remit the retail sales tax collected from the sale of product on **behalf of the businesses** to the Department or to the business if the business is registered with the Department of Revenue. The businesses are then required to remit the retail sales tax to the Department when they file their excise tax returns.
2. Remit the retail sales tax collected from the sale of product **on behalf of individuals** to the Department. The PTA will remit this when filing its excise tax return.
3. Report the gross proceeds from all sales under the Retailing B&O tax section of the excise tax return. The PTA will then take a deduction for the entire amount under the Retailing B&O section as “consignment sales.” The PTA will not report the amount of commission received under the Service and Other Activities B&O tax section because the commission qualifies for the fundraising exemption.
4. Report the gross proceeds from all sales under the Retail Sales Tax section of the excise tax return. The PTA will then take a deduction for the amount of equipment sales attributable to the businesses as “Sales tax remitted by registered consignors.” After taking this deduction, the amount of equipment sales remaining should equal the amount of equipment sales attributable to individuals. The PTA will remit the retail sales tax based on this amount to the Department.

For more information, see our Special Notice, [Tax Reporting for Consignment Sales](#).

Online sales in conjunction with a commercial business: Subject to retail sales tax

Sales of yearbooks, school rings, and spirit wear are often made through online stores of commercial businesses. The student, parent, guardian, etc., will purchase these items directly from the business. The nonprofit organization receives a commission from these sales. In this case, the commercial business is making retail sales

directly to the purchaser and must collect retail sales and pay the retailing B&O tax on the gross proceeds, if the business has nexus in Washington. The business is not eligible for the qualified fundraising activity exemptions from B&O tax and sales tax.

The ASB or PTA receiving the commission is exempt from the B&O tax, assuming the activity is periodic in nature. If the sales occur on a regular basis, then the commission income received by the ASB or PTA is subject to the B&O tax under the Service and Other Activities classification.

Donations to ASBs, PTAs, PTSAs, and booster clubs

Cash donations

- Cash donations (gifts or contributions) are not subject to 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 B&O tax and sales tax, if applicable, based on the activity or service provided by the ASB, PTA, etc. to the donor.

Donated goods and services

- 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. ([RCW 82.12.02595](#))

Example: A sign maker donates a new reader board for the football field and the labor to install it to the PTA. The PTA does not owe use tax on the sign itself or the labor to install the sign. The PTA then donates the sign to the local high school. The school is also exempt from use tax on the sign and installation labor.