



# Indiana Department of Revenue

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Sales Tax Information Bulletin #32

Subject: Public School Corporation Purchases and Sales

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Replaces Bulletin #32, dated March 2024

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## Summary of Changes

Aside from nonsubstantive, technical changes, this bulletin has been updated to clarify what purchases by a school corporation are considered fulfilling its governmental purpose.

## Introduction

This information bulletin sets out guidelines and instructions to be followed by public school corporations administering grades 1 through 12 and school organizations in determining the applicability of Indiana sales tax related to acquisitions of or sales by the school corporation or organization.

## Registration of Public School Corporations and School Organizations

Indiana public school corporations and school organizations that acquire tangible personal property for resale and subsequently transfer that property to others for consideration in the ordinary course of business must obtain a Registered Retail Merchant Certificate (RRMC) in the name of the public school corporation or school organization. An application for an RRMC must be made online by visiting the State of Indiana's INBiz website, which allows businesses to register with multiple state agencies, at [inbiz.in.gov](http://inbiz.in.gov).

**NOTE:** The exemptions discussed in this bulletin for public school corporations and school organizations only apply to **Indiana** school corporations and organizations. The exemptions are statutorily limited to Indiana entities. An out-of-state public school corporation or organization is not eligible for these exemptions.

## Acquisition of Tangible Personal Property

### By School Corporations

Purchases of tangible personal property are exempt from the sales tax if the property is acquired by a school corporation and is used to carry on (or to raise money to carry on) and further the educational purposes of the school corporation. The purchase must be invoiced to and paid directly by the school corporation, and the school corporation must provide their vendor with a properly executed Form ST-105 (the department's General Sales Tax Exemption Certificate).

This exemption applies to purchases of tangible personal property that is acquired for incorporation into a school building that is being constructed by a school corporation.

**NOTE:** While charter schools are considered public schools for educational purposes, a charter school is not an instrumentality of a state or local governmental agency. A charter school operates under a contract/charter entered into between the school's organizer and a charter school authorizer. A charter may only be awarded by an authorizer to an organizer that is a nonprofit corporation with a 501(c)(3) designation, and the authorizer may not necessarily be an instrumentality of a state or local governmental agency either. With that in mind, the exemptions in this bulletin still apply to charter schools as they would other public school corporations, but the charter school must provide Form NP-1 (Indiana Nonprofit Sales Tax Exemption Certificate) instead of an ST-105.

### Property Used to Carry on and Further a School's Educational Purposes

In order to be exempt, the property purchased by the school corporation must be used to carry on and further the school's educational purpose. If the property does not meet that criteria, it will not be exempt. This is not to say the school corporation cannot pay for such things. However, just because a purchase is a legitimate expense of the school corporation does not make the purchase exempt. It has to carry on (or raise money to carry on) and further the school's educational purpose.

*Example #1:* A school corporation sends a group of teachers to an educational conference in another part of the state, and pays for the rentals of rooms for each teacher. The conference involves training necessary for the school's function. While it is not an educational function to provide staff with accommodations, they are staying at the conference as part of their jobs. [Sales Tax Information Bulletin #41](#) states that ". . . the rental of ordinary hotel/motel transient rooms for periods of less than 30 consecutive days to Indiana state or local government entities is not subject to sales tax."

*Example #2:* A school corporation's students and faculty attend a band competition in another Indiana city. The school corporation pays for all meals and lodging. The competition itself fits within the educational purpose of the school, so the lodging for all types of students and faculty would be exempt. However, the meals would be taxable, as providing meals is a convenience for the band and staff. They would incur expenses for meals regardless of whether they were at the competition.

*Example #3:* A school corporation pays for a team meal at a restaurant after an evening athletic event within the same city. The meal would generally be taxable. While the athletic event fits within the educational purpose, the meal is a convenience for the team and staff.

*Example #4:* A school corporation department purchases catering from an outside company for a fundraising event. The meal would be exempt, as it is used to raise money to carry on its educational purpose.

*Example #5:* A school corporation department schedules and pays for a team-building dinner for its staff. The food would be taxable, as it is a convenience for the staff.

## Construction Materials and Construction Equipment

Indiana law provides that a contractor working on behalf of a school corporation may purchase construction material exempt from sales tax because the school corporation, as the ultimate purchaser, would have been able to purchase the construction material exempt from sales and use taxes had they been the one to purchase the construction material directly from the vendor or supplier. **However, this exemption does not extend to construction equipment or any tools used in the construction of the building.** For instance, if the contractor needs to rent a crane or excavator for the construction of the building, they may not rent that equipment exempt from sales tax, as the crane or excavator are not construction material and aren't being incorporated into the building. The purchase or rental of tools or equipment would have to be invoiced to and paid directly by the school corporation, and still must be used to carry on and further the school's educational purpose, in order to be exempt.

In order to purchase the materials exempt from sales tax, the contractor must receive the school corporation's properly completed Form ST-105. The contractor must then issue their own exemption certificates to their vendors or suppliers when making exempt purchases. Contractors may not reissue the school corporation's exemption certificates to any vendor or supplier of construction material.

## By School Organizations

School organizations, clubs, and groups that are under the control of a school corporation and whose funds are accounted for through an extracurricular activities account may use the exemption number of the school corporation to make qualified purchases exempt from sales tax, and use Form ST-105. Such purchases may be made **only** where payment is made by an extracurricular activities account **and** the property purchased is to be used by the organization for purposes other than in connection with social activities.

If the school organization is not under the control of a school corporation, the organization must register for an RRMC and provide Form NP-1 (Indiana Nonprofit Sales Tax Exemption Certificate), which are generated from the department's online e-services portal, INTIME, to vendors to validate an exemption from sales tax on the purchase of otherwise taxable tangible personal property.

School organizations may not make purchases exempt from sales tax when such purchases are for the personal ownership or use of individual members of the organization or if such purchases will be used in connection with social activities of the organization such as parties, dances, and picnics conducted by such organizations.

### **By Teachers**

Purchases of tangible personal property by teachers for use in their classrooms are subject to sales and use tax. This is true even though the teacher may use the funds allotted to teachers to purchase classroom supplies. To be exempt from sales tax, the purchase must be invoiced to and paid directly by the school corporation.

## **Sales of Tangible Personal Property**

### **By School Corporations**

#### **Meals**

Prior to July 1, 2023, sales of school meals are exempt from sales tax if the seller is a school corporation containing students in any grade, 1 through 12; the purchaser is a student or school employee; and the school furnishes the food on the serving school's premises. However, effective July 1, 2023, all sales of meals by Indiana public school corporations are exempt, regardless of to whom the food is sold. This exemption also extends to the sale of school meals prepared by a private caterer provided the meals are served on the school's premises and the caterer is merely acting as an agent for the school.

Similarly, sales of food and drinks through a vending machine will be granted exemption **only** in the following instances:

- The vending machine is located in the school cafeteria or lunchroom; and
- The items are being sold to students or school employees who are purchasing such food or drinks in lieu of purchasing the prepared meals furnished by the school.

Effective May 4, 2023, everything sold by a school corporation through a vending machine will be exempt if the school corporation owns and controls the vending machine, regardless of where it is located on a school's campus or to whom the food or drink is sold (e.g., vending machines located on the exterior of the school's property or in a staff breakroom). However, if a third party owns and operates the vending machine, then whether an item sold is subject to sales tax will be dependent upon whether it falls under any of the categories of taxable items (such as candy, soft drinks, etc.) excluded from the definition of exempt food and food ingredients.

## School Bookstores

The sales tax shall not apply to sales by bookstores of tangible personal property intended primarily for the educational purpose of the organization and not used in carrying on a private or proprietary function.

The sales of textbooks and supplies by parochial, public, or private nonprofit schools are exempt if made to students of the school in grades 1 through 12. Such sales are primarily intended to further the educational purposes of the school. However, sales to persons who are not students or school personnel are subject to sales tax.

Until May 4, 2023, sales by a bookstore of non-education-related items such as T-shirts, sweatshirts, hats, memorabilia, class rings, license plates, etc. **are** subject to sales tax, regardless of whether the purchaser is a student or non-student. In addition, the bookstore must register as a retail merchant to purchase these items exempt for resale and to collect the tax from the ultimate purchaser. Effective May 4, 2023, all sales by schools (including yearbooks) that are a part of the Indiana public school system, which includes their sales through a school-operated bookstore, are exempt from sales tax. However, this exemption does not extend to independent school organizations, as outlined below.

### By Independent School Organizations

Effective May 4, 2023, independent school organizations, clubs, or groups that conduct selling activities need not collect sales tax if the funds are to be used by the organization in furtherance of a nonprofit purpose **and** the organization makes \$100,000 or less in sales in the current or previous calendar year. This exemption typically removes the requirement to collect sales tax for most fundraising and student activities conducted during the school year, such as athletic event concession sales, as long as the concessions are sold directly by the school organization.

**NOTE:** Before July 1, 2022, a nonprofit organization that made sales during more than 30 days in a calendar year, or, between July 1, 2022, and May 3, 2023, made more than \$20,000 in a calendar year, was a retail merchant and was required to collect sales tax on all sales made during the calendar year.

Sales of tangible personal property by qualified nonprofit organizations of not more than \$100,000 in the current or previous calendar year used to raise funds to further the qualified nonprofit purposes of the organization are exempt from sales tax. That means that independent school organizations, clubs, or groups that conduct selling activities need not collect sales tax if the funds are to be used by the organization in furtherance of a nonprofit purpose **and** the organization makes less than \$100,000 in sales in the previous calendar year or less than \$100,000 in sales during the current calendar year. If more than \$100,000 in sales are made in the current or previous calendar year, the organization or group is required to collect sales tax on sales on an ongoing basis for the remainder of the calendar year.

Youth organizations focused on agriculture are not subject to these restrictions and are not required to collect sales tax no matter the purpose or the annual amount of sales they make.

Any independent nonprofit school organization, club, or group that makes \$100,000 in sales during the current or previous calendar year (with the exception of a youth organization focused on agriculture) must register with the Indiana Department of Revenue as a nonprofit organization. Application for nonprofit registration must be made by using the department's online e-services portal, called the Indiana Taxpayer Information Management Engine (INTIME), by visiting [intime.dor.in.gov](http://intime.dor.in.gov).

## Further Information

For more information related to the general application of sales tax to government entities, please refer to [Sales Tax Information Bulletin #4](#). For more information related to the general application of sales tax to nonprofit entities, please refer to [Sales Tax Information Bulletin #10](#). For more information related to the general application of sales tax to food & food ingredients, please refer to [Sales Tax Information Bulletin #29](#). For more information related to construction contract rules, please refer to [Sales Tax Information Bulletin #60](#). These bulletins are available online at [in.gov/dor/resources/tax-library/information-bulletins/sales-tax-information-bulletins/](http://in.gov/dor/resources/tax-library/information-bulletins/sales-tax-information-bulletins/).

If you have any questions concerning this bulletin, please contact the Tax Policy Division at [taxpolicy@dor.in.gov](mailto:taxpolicy@dor.in.gov).



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