



Indiana Department of Revenue

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Sales Tax Information Bulletin #10

Subject: Application of Sales Tax to Nonprofit Organizations

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45 IAC 2.2-5-56; 45 IAC 2.2-5-57; 45 IAC 2.2-5-58; 45 IAC 2.2-
5-59; 45 IAC 2.2-5-60

Replaces Bulletin #10, dated June 2023

Disclaimer: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

Summary of Changes

Aside from nonsubstantive, technical changes, this bulletin has been updated to reflect changes to the sales threshold for sales by a nonprofit in Senate Enrolled Act (SEA) 417 (2023), to include clarifying language related to how the exemption rules apply to each type of IRC § 501(c) entity, and to provide additional examples and information on the application of food and beverage taxes.

Introduction

This bulletin concerns the application of Indiana sales and use tax to nonprofit organizations. This bulletin will discuss when sales tax must be collected by nonprofit organizations and when Indiana sales and use tax must be paid on purchases by nonprofit organizations.

Registration

When taxable retail sales are made by nonprofit organizations, the organization must register with the Nonprofit Section of the Indiana Department of Revenue (the department) and receive a taxpayer identification number.

Indiana nonprofit organizations making tax-exempt qualified purchases, but not making retail sales, also must register with the Nonprofit Section of the department and receive a taxpayer

identification number. A nonprofit organization must register for a sales tax exemption by submitting Form NP-20A, which can be filed using the department's online e-services portal INTIME (Indiana Taxpayer Information Management Engine), by visiting intime.dor.in.gov. Once a nonprofit has been registered with the department, they will be able to obtain a specially-issued exemption certificate through INTIME as of July 1, 2022.

NOTE: An organization that has been classified as a "social" organization by the Internal Revenue Service (IRS), including homeowner's associations, are not allowed to make purchases exempt from Indiana sales and use tax.

Nonprofits that are temporarily in Indiana, such as those who are here for short events or conventions, may request a temporary exemption certificate by filing for Form NP-20T, which is available as of July 1, 2022. This specially-issued exemption certificate will be in the form of a letter issued by the department.

A nonprofit organization that does not sell taxable products and/or that does not have a need to purchase items exempt from sales tax still must still file Form NP-20A with the department as part of further filing requirement related to income tax. For income tax and other filing and reporting requirements for nonprofits, refer to [Income Tax Information Bulletin #17](#), available in [DOR's online Tax Library](#).

Qualified Nonprofit Organizations

For purposes of the nonprofit exemptions described throughout this bulletin, a "qualified nonprofit organization" means any of the following types of organizations:

1. A fraternity, a sorority, or a student cooperative housing organization connected with and under the supervision of a postsecondary educational institution if no part of its income is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate.
2. Any institution, trust, group, united fund, affiliated agency of a united fund, nonprofit corporation, cemetery association, or organization that is organized and operated exclusively for religious, charitable, scientific, literary, educational, or civic purposes if no part of its income is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate.
3. A group, an organization, or a nonprofit corporation that is organized and operated for fraternal or social purposes, or as a business league or association, and not for the private benefit or gain of any member, trustee, shareholder, employee, or associate.
4. A hospital licensed by the state department of health, shared hospital services organization exempt from federal income taxation by Section 501(c)(3) or 501(e) of the Internal Revenue Code, labor union, church, monastery, convent, school that is a part of the Indiana public school system, parochial school regularly maintained by a recognized religious denomination, or trust created for the purpose of paying pensions to members of a particular profession or business who created the trust for the purpose of paying pensions to each other, if the taxpayer is not organized or operated for private profit or gain.

However, a social organization that is predominately organized and operated predominantly for social purposes would not be considered a qualified organization and would therefore not qualify for the exemptions discussed in this bulletin. Refer to the section on Social Organizations at the end of this bulletin for further information.

When comparing the qualifications above with the categories of federally designated nonprofits in IRC § 501(c), many of these categories would be considered qualified nonprofit organizations. However, some of them would not. The table below explains whether a 501(c) organization would be considered qualified nonprofit organizations:

Federal Code Section	Charitable Organization	Qualified Organization for Indiana Purposes
501(c)(1)	Corporations organized under Act of Congress	Depends – These types of nonprofits do not meet any of the four categories of qualified organizations, but they may be exempt under the federal entity exemption. Refer to Sales Tax Information Bulletin #4 .
501(c)(2)	Corporation owned by exempt organization; purpose to hold title to property	Depends on whether the nonprofit is organized and operated exclusively for religious, charitable, scientific, literary, educational, or civic purposes, and further that no part of its income is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate. Otherwise, these types of nonprofits do not meet any of the four categories of qualified organizations.
501(c)(3)	Organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, educational, foster amateur sports competition, prevention of cruelty to children and animals; no part of net earning inures to the benefit of any private shareholder/individual	Yes
501(c)(4)	Social welfare organizations; local associations of employees; HOAs; Volunteer Fire Companies; net earnings exclusively devoted to charitable, educational or recreational purposes	Depends on whether the nonprofit is organized and operated predominantly for social purposes. For instance, homeowners associations are designated as a social organization under federal law, and thus are not exempt.

Federal Code Section	Charitable Organization	Qualified Organization for Indiana Purposes
501(c)(5)	Labor, Agricultural, or Horticultural organizations	Depends on whether the nonprofit is organized and operated predominantly for social purposes
501(c)(6)	Business Leagues, Chambers of Commerce, Real-Estate Boards, Board of Trades, or Professional football leagues	Depends on whether the nonprofit is organized and operated predominantly for social purposes
501(c)(7)	Clubs organized for pleasure, recreation or nonprofit purposes	Depends on whether the nonprofit is organized and operated predominantly for social purposes
501(c)(8)	Fraternal beneficiary societies, orders or associations--providing payment of life, sick, accident or other benefits to members of the order	Depends on whether the nonprofit is organized and operated predominantly for social purposes
501(c)(9)	Voluntary Employee beneficiary associations--providing for payment of life, sick, accident or other benefits to the members	Depends on whether the nonprofit is organized and operated predominantly for social purposes
501(c)(10)	Domestic fraternal societies, orders, or associations under the lodge system exclusively for religious, charitable, scientific, literary, educational and fraternal purposes that do not provide payments of life, sick, accident or other benefits to members	Depends on whether the nonprofit is organized and operated predominantly for social purposes
501(c)(11)	Teacher's retirement fund	No
501(c)(12)	Benevolent Life Insurance Associations	No
501(c)(13)	Cemetery Companies not operated for profit	Depends on whether the nonprofit is organized and operated exclusively for religious, charitable, scientific, literary, educational, or civic purposes, and further that no part of its income is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate. Otherwise, these types of nonprofits do not meet any of the four categories of qualified organizations.

Federal Code Section	Charitable Organization	Qualified Organization for Indiana Purposes
501(c)(14)	Credit Unions; Domestic building and loan associations; cooperative banks; Mutual savings banks	No, if it is a state nonprofit. If it is a federal nonprofit, they may be exempt under the federal entity exemption. Refer to Sales Tax Information Bulletin #4 .
501(c)(15)	Insurance companies other than life	No
501(c)(16)	Crop Operations	Depends on whether the nonprofit meets one of the categories of Qualified Nonprofit Organizations discussed in the section above.
501(c)(17)	Trusts for Supplemental Unemployment compensation Benefits	No
501(c)(18)	Trusts created prior to 6/25/1959 for the payment of benefits under a pension plan	Yes
501(c)(19)	A post or organization of past and present members of the Armed Forces of the US.	Depends on whether the nonprofit meets one of the categories of Qualified Nonprofit Organizations discussed in the section above.
501(c)(21)	Trust organized to administer expenses related to disability or death due to pneumoconiosis under Black Lung Act	No
501(c)(22)	Trust associated to Employee Retirement Income Security Act	No
501(c)(23)	Organization formed before 1880 and more than 75% of members of which are present or past members of the Armed Force to provide insurance and other benefits to veterans or dependents	Depends on whether the nonprofit is organized and operated predominantly for social purposes.
501(c)(24)	Single-Employer Pension Plan trust	Yes
501(c)(25)	Trust with less than 35 shareholders organized for acquiring real property and holding title to property	No
501(c)(26)	State established organization to provide medical care	Depends on whether the nonprofit is a shared hospital services organization exempt from federal income taxation by Section 501(c)(3) or 501(e) of the Internal Revenue Code.
501(c)(27)	State established organization prior to 6/1/1996 to reimburse members for losses under worker's comp acts	No

Federal Code Section	Charitable Organization	Qualified Organization for Indiana Purposes
501(c)(28)	National Railroad Retirement Investment Trust	No
501(c)(29)	Co-op Health insurance issuers	No

Sales by Qualified Nonprofit Organizations

Until July 1, 2022, sales of tangible personal property by qualified nonprofit organizations carried on for a total of not more than 30 days in a calendar year and engaged in as a fundraising activity to raise funds to further the qualified nonprofit purposes of the organization were exempt from sales tax. The 30-day rule applied to all such sales by the nonprofit organization. Each day in which selling activities were conducted was a “selling day” for purposes of determining whether a qualified nonprofit organization conducted sales for more than 30 days during any calendar year. This provision applied to social organizations as well as other qualified organizations. If an organization conducted sales or fundraising activities during 31 or more days (not necessarily consecutive) in a calendar year, the organization was a retail merchant and must have collected and remitted sales tax on all sales made during the calendar year.

However, effective July 1, 2022, the 30-day rule was repealed and replaced with a different threshold. From July 1, 2022, until the passage of SEA 417 (2023), sales of tangible personal property by qualified nonprofit organizations of not more than \$20,000 in a calendar year used to raise funds to further the qualified nonprofit purposes of the organization were exempt from sales tax. The \$20,000 per year threshold was changed to \$100,000 in sales of tangible personal property in either the current or previous calendar year effective upon passage of SEA 417 (2023).¹ The \$100,000 current or previous calendar year threshold applies to all qualified nonprofits except for the following:

- Churches and other places of worship
- Monasteries
- Convents
- Schools that are a part of the Indiana public school system (note that while these schools are treated as nonprofits by the sales tax code, they are also governmental entities and should not register as nonprofits with the department)
- Parochial schools regularly maintained by a recognized religious denomination (for purposes of this group, Christian, Jewish, Islamic, or other religiously affiliated schools that are not affiliated with or run by a specific church, synagogue, mosque, or other religious organization, will be considered a “parochial school” for sales tax purposes)
- A youth organization focused on agriculture

¹ The bill states that these provisions are effective July 1, 2023. However, the intent of the Indiana General Assembly was that the provisions become effective immediately upon passage, which was on May 4, 2023, when Governor Holcomb signed SEA 417.

These six types of nonprofits are exempt from the requirement to collect and remit sales tax regardless of the dollar amount of sales in a year. A nonprofit that is not one of these six types of organizations is required to collect sales tax if they reached the \$100,000 threshold in the previous calendar year or after they reach the \$100,000 threshold in the current calendar year on an ongoing basis for the remainder of the calendar year and each calendar year thereafter until the organization makes less than \$100,000 in sales for two consecutive years. Neither the nonprofit nor their customers owe sales tax on sales made prior to meeting the threshold.

Furthermore, the sales of an organization include sales made by all units operating under the organization's registration with the department. These provisions also apply to social organizations as well as other qualified organizations; however, the exemption does not apply to social organizations that are predominantly organized and operated for social purposes (**refer to the section on Social Organizations at the end of this bulletin for further information**). Regardless of whether the nonprofit is one of the six excepted nonprofits or is another type of nonprofit that is under the \$100,000 threshold, any sales made through a marketplace facilitator will not be exempt, because the facilitator is treated as the retail merchant by law and the exemption does not flow through to the facilitator.

NOTE: This information in this note pertains to the 2023 calendar year, when the new threshold became effective upon passage of SEA 417 (2023). From that point forward, a qualified nonprofit organization is required to register as a retail merchant and collect and remit sales tax, if the sales made by the organization in the 2022, 2023 or 2024 calendar year exceed(ed) \$100,000. Neither the nonprofit nor their customers owe sales tax on sales made prior to meeting the threshold.

Before SEA 417 (2023) was passed, a nonprofit that made \$20,000 in sales in 2023 was required to collect sales tax. However, after the passage of SEA 417 (2023), unless that nonprofit reached the \$100,000 in sales in the 2022 or 2023 calendar year, they were not required to remain registered as a merchant and collect and remit sales tax and may close their account. They were only required to register and collect and remit sales tax in 2023 and at least 2024 after they reach \$100,000 in sales during 2023. For information on sales that were conducted when the \$20,000 threshold was in effect, refer to [Appendix A](#) at the end of this bulletin.

Example #1: From January to April 2023, a nonprofit makes \$20,000 in sales. It only had \$30,000 in sales during the 2022 calendar year. Because it surpassed \$20,000 in sales before SEA 417 (2023) was passed, it had an obligation to collect and remit sales tax. They make an additional \$5,000 in sales the remainder of 2023. Since the nonprofit did not make \$100,000 in sales during the 2022 or 2023 calendar year, they would not have to remain registered as a retail merchant and could close their sales tax account.

Example #2: A nonprofit makes \$20,000 in sales from January to April 2023, and had \$30,000 in sales during the 2022 calendar year. However, they make an additional \$90,000 in sales during the summer of 2023. Because the nonprofit did make \$100,000 in sales in the 2023 calendar year, they could close their account after SEA 417 (2023) passed, but would have to

register again after they reached \$100,000 in sales in 2023 and remain registered as a retail merchant for at least the following two years.

Example #3: A nonprofit operated a weekend festival on a Saturday and Sunday in October 2022, which is normally their only selling activity for the entire year, and exceeded \$100,000 in sales. In 2022, the nonprofit was not required to “flip the switch” in the middle of the festival, but was required to register and collect sales tax after the festival was over. For the 2023 calendar year, they were required to register again (if they haven’t remained registered) to collect sales tax, including during the 2023 festival and for any other transactions they make during the remainder of the year.

Example #4: A nonprofit holds an evening gala each year. They sell tickets that include food and drinks for \$150. The IRS requires nonprofits to provide a disclosure statement that informs the purchaser that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property other than money) contributed by the donor over the fair market value (FMV) of goods or services provided by the charity, and provides the donor with a good faith estimate of the FMV of the goods or services that the donor received. In this case, the nonprofit determines the FMV of the food and drinks is \$25, which they provide on the disclosure statement. The department will treat this as a separately stated transaction. Only the \$25 is subject to sales tax and counts towards the \$100,000 threshold. It would also be subject to food and beverage tax if applicable. The remaining \$125 is not subject to sales tax and does not go towards the \$100,000 threshold.

If a disclosure statement is not provided, the ticket would have to be analyzed as to whether it is a “bundled transaction,” as discussed in [Sales Tax Information Bulletin #94](#). A bundled transaction is a taxable retail sale of two or more products, except real property and services to real property, that are (1) distinct; (2) identifiable; and (3) sold for one nonitemized price. However, there are exceptions to this rule, and if a transaction meets on the exceptions, then the sale is exempt from sales tax.

One of the exceptions is when there is a transaction involving tangible personal property and tangible personal property, where the service is the true object of the transaction and the tangible personal property provided is essential to the use of the service and is provided exclusively in connection with the service. In other words, under this “true object test,” the determination is whether the service is the main product or item in the transaction.

Another exception is when there is a transaction that includes both taxable and nontaxable products (e.g., services, intangible property, gift cards, etc.) in which the seller’s purchase price or the sales price of the taxable products does not exceed 10% (i.e., de minimis or incidental) of the total purchase price or the total sales price of the bundled products. Under this “de minimis test,” the seller may use either the sales price of each product or the purchase price of each product in the transaction to measure or quantify whether the taxable products are de minimis.

For the event ticket, the nonprofit can apply the “de minimis”/10% test to determine whether the ticket is taxable. The nonprofit has to use the sales price and not the purchase price because the event portion of the ticket was not purchased. If the sales price of the food and beverages are 10% or less of the overall sales price of the ticket, it would not be a bundled transaction, and therefore the ticket is not subject to sales tax. Because it’s not a taxable transaction, this would mean that the sales price of the food/beverage would not go towards the \$100,000 threshold amount.

However, if the sales price of the food and beverage exceeded 10% of the overall sales price of the ticket, the transaction would be a taxable bundled transaction, and the total sales price of the ticket would count towards the \$100,000 threshold. Furthermore, it would be subject to food and beverage tax if applicable.

NOTE: If a disclosure statement is not provided, a nonprofit cannot consider the entire amount of the ticket as a donation, either by listing the dinner amount as \$0 or otherwise noting that the entire amount of the ticket is considered a donation. Under the bundled transaction and unitary transaction rules, the sales price of the of the prepared food would still be used in determining whether it is a taxable bundled transaction.

NOTE: The disclosure statement analysis above does not apply to sales made via marketplace facilitators, including auctioneers. Refer to Example 7.

Example #5: A nonprofit holds a silent auction featuring sales of bundled items that include both tangible personal property and nontaxable items, such as gift cards and vouchers for services. If it is a bundled object, it is subject to the de minimus test, and if the value of the taxable items is over 10% of the total listed sales price, the entire amount is taxable. If it is not a bundled object, it is not subject to the threshold.

For instance, one of the items is for a “Spa Day.” It includes a face wash, a lotion and cream set, a loofah, face masks, and a \$200 gift card to a day spa. All of these items were donated to the nonprofit, so the nonprofit cannot use the purchase price for purposes of the de minimis test. The total listed sales price of the auction item is listed as \$300. The gift card is the only nontaxable item in the package. The rest of the items would normally be taxable. The sales price of the tangible personal property is therefore not de minimis, as it exceeds 10% of the listed sales price.

The winning bid for the package is a donation of \$485. However, if a disclosure statement is provided by the nonprofit showing that the \$300 was the FMV of the goods purchased, and the \$185 was deductible for income tax purposes, then only the \$300 would be subject to sales tax and would count towards the threshold. The reason for this is that the items within the package are not separately itemized within the package, but the item is stated separately from the deductible amount because of the disclosure statement.

Example #6: Another item for sale in the auction in the previous example is packaged as a “Back Yard BBQ,” which includes a spatula, apron, chef hat, and a serving dish in a basket, along with a \$100 gift card to a barbeque restaurant. All of these items were donated to the

nonprofit, so the nonprofit cannot use the purchase price for purposes of the de minimis test. The total listed sales price of the auction item is listed as \$150. The \$100 gift card is normally nontaxable, but the other items are normally subject to sales tax. The \$50 taxable items compared to the \$150 listed sales price would mean that the sales price of the tangible personal property is not de minimis. It is therefore a taxable bundled transaction.

Unlike in the previous example, this package is won for a donation of \$100, meaning it is sold for less than the listed sales price. The \$100 final sales price does not matter to determining taxability, but the \$100 final sales price goes towards the \$100,000 threshold, not the \$150 value. A disclosure statement would not be relevant in this scenario, as there is no donation aspect since it was sold below FMV.

Example #7: A nonprofit church hires a third-party company to conduct its silent auction donations and other fundraising activities. The third-party company is a marketplace facilitator and is therefore considered the retail merchant as it accepts payments on behalf of the nonprofit and is connecting the nonprofit to purchasers. Such auction companies, tech companies, and other third-party platforms used to make donations and conduct fundraising activities are not exempt as nonprofits. These companies cannot be considered to have “stepped into the shoes” of the nonprofits. The auctions and other sales would be taxable, regardless of whether the nonprofit is one of the six excepted nonprofits or is another type of nonprofit that is under the \$100,000 threshold.

Example #8: A nonprofit has branded merchandise that it gives to people when they make donations on their website. For instance, it gives branded mugs to customers who make any donation up to \$50, branded tote bags to customers who make donations up to \$100, and branded coolers to customers who make donations up to \$200. The department would not consider the donations to be retail transactions in these circumstances, even though they are receiving tangible personal property in exchange for their donation. Unlike the examples above involving admission to events, the payment is totally voluntary and tangible personal property of equal value is not expected in return.

Example #9: A nonprofit has branded merchandise that it gives out at certain events. For instance, it gives a branded t-shirt for a day of service event upon the entrant paying an entry fee, and a different branded t-shirt for a “fun run” it holds every spring. The shirts both advertise the nonprofit and let others know they are participating in the events. Unlike in the previous example, payment to enter the events is required. The shirts would generally fall below the threshold where the nonprofit would be required to provide a disclosure statement, so the transaction would not be treated as itemized. Selling tickets may be taxable under a unitary transaction or bundled transaction theory as discussed in the examples above. The nonprofit can apply the true object test to determine whether the tickets are taxable.

Example #10: A nonprofit sells candy bars and wrapping paper via order forms and door to door sales over a one-month period. Orders are shipped to customers by a separate vendor. Each sale would count towards the \$100,000 threshold, not the entire campaign. In other words, this is not treated the same as a weekend event as in Example #3. Further, if the sales

are made via a third-party (such as a marketplace facilitator) instead of the nonprofit directly, then each sale will be taxable and will not count towards the threshold since the facilitator is considered to be the retail merchant and cannot step into the shoes of the nonprofit as explained in Example 7. The threshold and the exemption applies only to sales of tangible personal property. The sale of accommodations or any service that is specifically taxable under the sales tax code by any nonprofit is subject to sales tax. On the other hand, the sales of accommodations and enumerated taxable services do not count towards the \$100,000 threshold.

The sales tax exemption for nonprofit sales also applies to the collection of food and beverage taxes. Any transaction that is exempt from Indiana sales tax imposed by IC 6-2.5 is also exempt from any Indiana county or municipality imposed food and beverage tax. Further, if a nonprofit is eligible for any of the exemptions discussed above, they may also sell alcohol exempt from sales tax and any food and beverage taxes. However, for nonprofits that do not qualify for the exemptions listed above for whatever reason, including because they are social organizations that are predominantly organized and operated for social purposes, sales of alcohol will be subject to sales tax and food and beverage tax, if applicable.

All organizations required to collect sales tax must register with the Department of Revenue and get a Retail Merchant Certificate. They also must register as nonprofit organizations. An organization can register with the department for sales tax, county innkeepers' tax, and food and beverage tax by visiting the State of Indiana's INBiz website, which allows businesses to register with multiple state agencies, at inbiz.in.gov. A separate application is required for each business location. The nonrefundable application fee for a Retail Merchant's Certificate is \$25.

Upon registration and for the first full year, the nonprofit will be required to file sales tax returns (Form ST-103) based on their taxable sales volume for the preceding calendar year, as determined by the department. Sales tax returns must be filed using INTIME. Even if no tax is due for a particular period, a return must still be filed (called a "zero return").

However, when the nonprofit organization sells items, such as periodicals, books, or other property, that are intended primarily to further the educational, cultural, or religious purposes of the organization or for the improvement of the work skills or professional qualifications of the organization's members, and the sales are not used in carrying out a private or proprietary business, the 30-day restriction/\$20,000 cap/\$100,000 threshold does not apply and the items may be sold exempt throughout the year.

Sales By a Nonprofit Formed to Support a Public Library

Sales of tangible personal property by a nonprofit formed to support a public library (e.g., a "Friends of the Library" group), are exempt from the state gross retail tax if the property sold consists of:

1. items in a public library's circulated and publicly available collections, including items from the library's holdings; or
2. items that would typically be included in the public library's circulated and publicly available collections and that are donated to a public library or to a nonprofit formed to support a public library by individuals or organizations.

In other words, nonprofits formed to support a public library do not have to collect and remit sales tax on their normal sales of used books, videos, and other items from a library's collection. However, this exemption does not apply to any other sales of tangible personal property by a nonprofit formed to support a public library (e.g., food and beverages, furniture, and artwork). The sale by nonprofits formed to support a public library of these other types of tangible personal property would be subject to the rules outlined in the Sales by Qualified Nonprofit Organizations section above.

Purchases by Qualified Nonprofit Organizations

Purchases for Own Use

To qualify for a sales tax exemption on purchases as a nonprofit organization, the following conditions must be met:

1. The purchaser must be a qualified nonprofit organization as described in the Qualified Nonprofit Organizations section above.
2. The organization must not be operated predominantly for social purposes.
3. The article purchased must be used to carry on the nonprofit's purpose. This means the article must be used for the same purpose as that for which the organization is being exempted, or the article must be purchased to raise money to carry on the nonprofit's purpose.
4. The transaction must be invoiced directly to the nonprofit organization and paid directly via the organization's funds. **Purchases for the private benefit of any member of the organization, such as meals and lodgings, are not eligible for exemption.**

Example #11: A nonprofit organization is hosting a three-day convention for its members in Indianapolis. The organization rents meeting rooms in a hotel to conduct its educational meetings. The rental of the rooms will be exempt from the sales tax and local county innkeepers' tax, if applicable.

Sales of meals during a meeting of the organization are taxable because the meals are provided for the convenience of the organization and its members. Such meals are taxable even when served in conjunction with a meeting that is furthering the organization's nonprofit purpose.

At the same convention, the organization reserves and pays for, out of its treasury, the cost of four hotel rooms to be used by its officers for lodging. The lodgings provided for the officers by the organization *are not* exempt from the sales tax or the county innkeepers' tax, if

applicable. The rental of rooms for its officers or members is a private benefit for the individual and is not for the purpose for which the organization exists.

If a member of the organization purchases a meal or lodging, even if the member is to be reimbursed by the organization, the purchase is not exempt and the member must pay sales tax at the time of purchase. Purchases used for social purposes are never exempt.

For more information on the application of sales tax to nonprofit organization purchases of meeting rooms and lodging, refer to [Sales Tax Information Bulletin #41](#), available in [DOR's online Tax Library](#).

NOTE: The fact that an organization is incorporated as a nonprofit corporation or is being exempted from income tax by the IRS does not necessarily mean that purchases made by the nonprofit organization are exempt from sales/use tax.

Organizations, as previously described, that are registered with the Indiana Department of Revenue as nonprofit organizations may purchase exempt from Indiana sales and use tax tangible personal property used in carrying out the nonprofit purpose of the qualified organization. To purchase tax exempt, the organization must register with the department no later than 120 days after the taxpayer's formation, after which the organization can obtain a Form NP-1 (Indiana Nonprofit Sales Tax Exemption Certificate) from INTIME. However, schools that are a part of the Indiana public school system should not register as nonprofits with the department and should continue to use Form ST-105, as they are primarily treated as governmental entities even though the exemptions pertaining to nonprofit organizations apply to them.

NOTE: Form ST-105 issued prior to Jan. 1, 2023, by a qualified nonprofit registered in Indiana will expire Jan. 1, 2024. The issuing nonprofit must provide Form NP-1 to their vendors from that point forward. A separate Form NP-1 needs to be generated for each vendor, and a vendor must be inputted by the nonprofit in INTIME in order to generate Form NP-1.

Purchases by Non-Indiana Nonprofit Organizations

Nonprofit organizations not registered with the Indiana Department of Revenue and located in another state may use a Streamlined Sales Tax Governing Board Form F0003 to make purchases exempt from the sales tax.

Purchases for Resale

Tangible personal property purchased for resale by a nonprofit organization is eligible for the sales tax exemption.

Purchases and Sales Made by Social Organizations

Purchases of tangible personal property to be used by organizations organized and operated predominantly for social purposes are not exempt. If more than 50% of an organization's

expenditures is related to social activities, the organization is considered to be predominantly organized and operated for social purposes. Examples of expenditures related to social activities include:

- Food and beverage services;
- Golf courses;
- Swimming pools;
- Dances;
- Parties; and
- Other similar social activities.

Similarly, sales of tangible personal property to be used by organizations organized and operated predominantly for social purposes are likewise not exempt. This bulletin applies only to the status of nonprofit organizations under the sales tax statute. Nonprofit organizations are subject to the Adjusted Gross Income Tax Act on unrelated business income as defined in Internal Revenue Code Section 513. Homeowners' associations do not qualify for sales tax exempt status under Indiana law.

A handwritten signature in black ink that reads "Robert J. Grennes, Jr." The signature is written in a cursive style with a large, stylized initial 'R' and a prominent 'J'.

Robert J. Grennes, Jr.
Commissioner
Indiana Department of Revenue

Appendix A

NOTE: The \$20,000 rule effective between July 1, 2022 and the passage of SEA 417 (2023), applied to all sales by any qualified nonprofit organizations. Once sales of an organization reached \$20,000, the organization was required to collect state gross retail tax on sales on an ongoing basis for the remainder of the calendar year, but was not required to register and collect sales tax for the following year.

For the 2022 calendar year, a nonprofit was subject to the 30-day rule through June 30, and beginning July 1, the \$20,000 rule. However, even though the \$20,000 rule became effective July 1, a nonprofit that had over 30 selling days before July 1 was required to collect sales tax throughout the entire year, even if they did not reach \$20,000 in sales after July 1. Conversely, a nonprofit that reached \$20,000 in sales for the year any time before July 1 would not count those sales toward determining whether they should collect sales tax. Only the sales made after June 30 should be counted.

Example 1: From January to June, 2022, a nonprofit had 20 selling days including a major event in June, where it sold \$50,000 of souvenirs. Because it had not surpassed 30 selling days, and the \$50,000 in sales occurred before July 1, it had no obligation to collect sales tax, as it was still under the thresholds for the 30-day rule. Further, if the nonprofit only made \$15,000 in sales from July 1 to the end of the year, then it still had no obligation to collect sales tax because it was under the \$20,000 threshold, as the \$50,000 in sales at the June event did not count toward the threshold for 2022. This is true even if they had 11 more selling days after June 30, as the nonprofit stopped counting selling days after June 30, 2022, when the rule expired.

Example 2: Another nonprofit had 20 selling days from January to June, 2022. However, this nonprofit's major event was in August, where it sold \$50,000 of souvenirs. This nonprofit was required to begin collecting sales tax after this event in August, because it hit the new threshold after July 1, 2022. It would not be responsible for any tax for any sales made during or prior to the event.

Example 3: A nonprofit had 65 selling days during January through June 2022, so it registered to collect sales tax. It was required to keep collecting sales tax on and after July 1, even if it never reached \$20,000 in sales from July 1 through the end of the 2022 calendar year.

Example 4: A nonprofit operated a weekend festival on a Saturday and Sunday in October 2022, which is normally their only selling activity for the entire year. In past years, they normally made between \$18,000 to \$24,000 in sales. If they exceeded \$20,000 in sales at some point on Sunday, the nonprofit was not required to "flip the switch" from that point forward and begin collecting sales tax the rest of the day. The nonprofit would instead be required to register after the event if they expected to have any further selling activity. Alternatively, if the nonprofit expected to exceed \$20,000 in sales that weekend, they could have registered ahead of time, or they could have collected sales tax that weekend, and then registered the following week to remit what they had collected.