

Volume 4, Issue 24

Originally Published
December 9, 2010

Nonprofit Strategies



SAN LUIS OBISPO COUNTY COMMUNITY FOUNDATION

Nonprofits pay lots of taxes

By Barry VanderKelen

Having tax-exempt status does not mean an organization is exempt from paying taxes. Nonprofits pay taxes on such things as purchases of goods and services and on payroll; local nonprofits pay nearly \$24 million in taxes annually. They don't pay taxes on revenue and on real estate used for programs and services.

The California budget includes an increase in the number of auditors and collectors in the state Bureau of Equalization, the office that collects sales and use tax. This may

mean more audits of nonprofits with respect to taxes owed, but not paid. For example, sales tax is owed on tangible items auctioned at fundraising events. Each nonprofit must comply with the law.

Some nonprofits are currently selling Christmas trees to raise money. State law is that sales tax is owed on the trees sold if more than three are sold. A seller's permit is also needed.

The rules regarding taxes on food sold to generate funds can be confusing. For example, a nonprofit can sell cups of coffee and

owe no taxes on the sales. But if a cup of coffee is packaged with a sandwich, the sale is taxed. An exception is that a church or religious organization can sell nonalcoholic beverages and food without owing sales tax if the proceeds are used for the activities of the organization.

The Bureau of Equalization's website, www.boe.ca.gov, has videos and publications that explain the rules.

Barry VanderKelen is Executive Director of the San Luis Obispo County Community Foundation. He can be

Resource Use

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Nonprofit Business Column of *The Tribune*

Barry VanderKelen, Executive Director of the San Luis Obispo County Community Foundation writes a bi-weekly column to help strengthen nonprofit organizations in the community.

The Tribune publishes the column every other week in the Business section.

Each column is reprinted as a one-page handout for use by local organizations. Barry can be reached at 543-2323 or by e-mail at barry@sloccf.org.