Occasional Sale Exemption for Nonprofit Organizations

Fact Sheet 2106 **revenue.wi.gov**

Important: The total amount paid to entertainers for an admission event for Standard 2 increases to $50,000 on June 1, 2022.

Nonprofit organizations are often referred to as tax exempt because they are generally exempt from federal and state income tax. However, a **nonprofit organization's sales are only exempt from sales or use taxes if certain standards are met**. This fact sheet summarizes the Occasional Sales Exemption, detailing when a nonprofit organization's sales may be exempt.

See Publication 206, *Sales Tax Exemptions for Nonprofit Organizations*, for additional information about the occasional sale exemption, including examples.

A nonprofit organization's sales are exempt from sales tax if ALL three standards below are met:

Standard 1: The nonprofit organization is not engaged in a trade or business.

A nonprofit organization is not engaged in a trade or business if either one of the following tests is met:

- Its sales of otherwise taxable products occur on 75 days or less during the calendar year.*
- Its sales of otherwise taxable products are $50,000 or less per calendar year.

* For events involving the sales of tickets, only the actual days of the events are counted towards the 75-day test, not the days of ticket sales. For sales of tangible personal property, the day that the sale occurs is determined by when the purchaser receives the property, not when an order for the property is placed.

The following sales do not count towards the 75-day and $50,000 tests:

- Bingo sales – see Standard 3 below for additional information.
- Sales facilitated on the nonprofit's behalf by a marketplace provider – see Marketplace Sellers Common Questions.

If the nonprofit organization does not reasonably anticipate that it will exceed both the 75-day and $50,000 tests, but both tests are exceeded, only the sales occurring after both of the tests are exceeded are subject to sales tax.

Standard 2: Entertainment is not involved at an event for which admissions are charged.

If a nonprofit organization charges an admission for an event, entertainment is not involved if the total amount that ALL entertainers are paid is $10,000 or less, including amounts for entertaining, reimbursement of expenses, and prize money. Mandatory or suggested donations in order to enter an event are considered charges for admissions.

Note: Effective June 1, 2022, the total amount paid to all entertainers increases from $10,000 to $50,000.

A nonprofit organization that would otherwise qualify for exempt occasional sales, except for the involvement of entertainment, may do the following:

1. Obtain a seller's permit from the department for the day or days of the event involving entertainment,
2. Pay the sales tax on sales of tangible personal property and taxable services on these days, and
3. Request inactivation of the seller's permit after the event by contacting the department.

If the above three steps have been taken, the nonprofit organization may still make exempt occasional sales on days not covered by the permit.

Days and sales from events involving admissions to entertainment for which a seller's permit was obtained **are** included with all other sales for purposes of the 75-day test and the $50,000 taxable sales test in Standard 1.

Caution: A nonprofit organization that obtains a seller's permit for an event and does not request inactivation of the seller's permit after the event **does not** qualify for the occasional sale exemption on its sales of taxable products and services after the event, regardless of the number of days and dollar amount of its sales.

Standard 3: The nonprofit organization does not have and is not required to have a seller's permit.

A nonprofit organization is not required to hold a seller's permit if Standards 1 and 2 are met. If a nonprofit organization holds a seller's permit but meets Standards 1 and 2, the nonprofit organization may inactivate its seller's permit. A nonprofit organization must collect and remit sales tax on all taxable sales made while it holds a seller's permit.

Exception for bingo sales: A nonprofit organization that holds a seller's permit solely for purposes of conducting bingo sales can qualify for the occasional sales exemption on non-bingo sales if Standards 1 and 2 are met. Bingo sales are not included in determining the 75-day and $50,000 tests in Standard 1.

See Part 4.C. in Publication 206 for more information.

Any Questions?

- Visit the department's website at revenue.wi.gov
- Email your questions or comments to DORSalesandUse@wisconsin.gov
- Call our Customer Service Bureau at (608) 266-2776

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations enacted as of April 28, 2022: subch. III of ch. 77, Wis. Stats., and ch. Tax 11, Wis. Adm. Code.

Laws enacted and in effect after this date, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to this date, that is contrary to the information in this document is superseded by this document, according to sec. 73.16(2)(a), Wis. Stats.

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