

## SALES TAX

Organizations must be aware that they may be liable to pay sales tax on some of their fund-raising efforts. Even if your organization has a tax-exempt number, sales tax is to be collected on the following items and services:

1. Amusement Services in excess of \$300 per year (e.g.: live or recorded performances, movies or plays, exhibits or displays, and spectator sports)
2. Ready-to-eat food items
3. Items for resale (T-shirts, posters, decals, etc.)
4. Rental of tangible personal property

Income on major fund-raising projects is generally taxable. Student organizations should get a temporary sales permit from the Wisconsin Department of Revenue 1-608-266-2776. Most minor fund-raising projects will qualify as *Occasional Sales*. Organizations should read the Occasional Sales rules, available from the Wisconsin Department of Revenue, to determine if they qualify for exemption from paying state sales tax.

## TAX-EXEMPT STATUS

This is a very confusing area. Most student organizations do not fit neatly into IRS categories for nonprofit and tax-exempt status. National fraternities and sororities are tax exempt under their parent organization as defined in IRS code 501(c) and should contact their national office for information on how to use their tax-exempt number. Some other organizations who are nationally affiliated may also be tax exempt and should contact their national office to determine the group's status. Groups not affiliated with a national organization are probably not tax exempt unless they have applied directly to the IRS for this status. No student organizations are tax-exempt because they have registered with the university. Registration allows student groups to use university services, facilities, and apply for segregated fee funding. Only university departments and offices may use UWM Tax ID number.

Organizations wishing to apply for tax-exempt status must realize it is a complex and cumbersome process. You can obtain this booklet from the world wide web. The URL address is: [http://www.irs.ustreas.gov/basic/forms\\_pubs/forms.html](http://www.irs.ustreas.gov/basic/forms_pubs/forms.html) and click on the form you desire.

An attorney specializing in this is probably necessary, because the laws and procedures written for qualifying as a tax-exempt organization are very confusing. If a student organization is qualified for tax-exempt status, it would most likely be covered under sections 501(c)(3) or 501(c)(7) in the IRS tax code and would file a form 1023. There is also a possibility that an organization with a primary purpose to support the university could qualify under 501(a). These groups would file form 1024 with the IRS.

The application process will take a minimum of six months, but may last more than a year before a tax-exempt certificate is issued. If your organization is just trying to open a bank account, see Employer Identification Number below.

## **EMPLOYER IDENTIFICATION NUMBERS (EIN)**

If your organization is trying to open an off-campus bank account, the bank will request your organization's tax ID number. Every financial institution is required to report accounts with dividend interest greater than \$10 to the I.R.S. in any given tax year. If the dividend interest is greater than \$400, then the organization must file federal tax returns. If your organization is tax exempt, give the bank your federal tax-exemption number. (Note: State tax-exempt numbers are for state use only and do not replace the need for a federal EIN number.) If your organization is not tax exempt, you need to apply for an EIN. In order to request a new Employer Identification Number, please stop by the Student Activities Office for the Form SS-4, or you can obtain the form at <ftp://ftp.fedworld.gov/pub/irs-pdf/fss4.pdf> on the World Wide Web (WWW). The Application for Employer Identification Number can be completed on the telephone (24 hours) or via the mail (4 to 5 weeks). For more information, or to verify your existing EIN Number, please call the IRS at (800) 829-1040.

## **FEDERAL AND STATE INCOME TAX**

Student Organizations should contact the Federal and State Internal Revenue Services (1-800-829-1040) for specific information on income taxes. In general, an organization does not have to file a tax return if its gross income from outside the organization (fundraising, donations, interest from checking account, etc.) is less than \$5,000. If the organization is affiliated with a national organization, the local chapter may only need to file a report with the national office as a subsidiary organization. (Contact your national office for more information.) Organizations that earn interest income greater than \$400 may have to file a federal tax return regardless of their gross income.

## **TAX PAYMENTS FOR SELLER'S PERMITS**

Tax payments are due quarterly. Even if your student organization has \$0 in gross income you still must file. Failure to file will result in an estimated tax assessment from the Department of Revenue (DOR). This assessment is based on formulas within DOR and usually is substantially higher than your actual tax liability. Failure to pay and file your quarterly statements will result in penalties, interest and a lien against your student organization. For forms or questions about Sales Tax, please call (414) 227-4000 or visit <http://www.dor.state.wi.us/>.

You can appeal an estimated tax assessment in writing within 30 days of receiving the bill. In most cases, the estimated tax assessment can be changed to actual with an added penalty. Failure to respond in 30 days only increases your group's problems.

Further information on the State of Wisconsin Legislation regarding tax liabilities, interest, penalties, etc. can be found in the Student Activities Office or on the world wide web at the following address: <http://badger.state.wi.us/agencies/wilis/statutes/95Stat71.pdf>.