



CITY OF LOVELAND REVENUE DIVISION

Sales Tax Exempt Status for Charitable Organizations

Charitable Organizations are defined as those organizations which have met the Internal Revenue Service (IRS) requirements as exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code. This exemption must first be obtained from the Internal Revenue Service.

Organizations must be organized specifically for one of the following purposes, and qualifies only if organized exclusively for these purposes:

Religious, charitable, scientific, testing for public safety, literary or educational;

To foster national or international amateur sports completion, as long as no part of its activities involve providing athletic facilities or equipment;

The prevention of cruelty to children or animals, as long as no part of the net earnings have benefit for private shareholder or individual.

Additionally, no substantial part of the organization's activities may include carrying on propaganda or otherwise trying to influence legislation and the organization may not participate in, or intervene in, any political campaign on behalf of any candidate for public office.

Any society or organization whose deeds and gifts are limited to its members and their beneficiaries and which depends upon payments required of its members are not charities and are not organized for charitable purposes.

Governmental entities, including all political subdivisions of the State of Colorado are automatically exempt from sales tax (state agencies, school districts, cities and counties).

Sales tax exemption is permitted on purchases of taxable items used exclusively in the conduct of the qualified organization's regular charitable functions and activities; and are directly paid with organizational funds.

SALES BY QUALIFIED CHARITABLE ORGANIZATIONS

Charitable organizations which old IRS section 501 (c) (3) qualification letters may be exempt from collecting sales tax during fund raising events.

If the charitable organization conducts sales for a total of 12 days or less during a calendar year and the net proceeds from all these events do not exceed \$25,000 in that calendar year, the sales are not subject to sales tax. As soon as the organization reaches either \$25,000 in net sales, or conducts sales more than 12 days in a calendar year, it must obtain a City sales tax license and begin collecting and remitting City sales tax.

If the qualified charitable organization holds a fund raising event, involving other vendors and retail vendor sales, those vendors are still responsible to collect and remit sales tax for their sales. Percentages of their sales donated to the charity are income tax issues and deductions and do not change the sales tax liability of tangible personal property sales.

SALES BY OTHER TAX EXEMPT ORGANIZATIONS

Other tax exempt organizations, including governmental entities and schools, that sell tangible personal property either through a fundraising sales event, or routine sales of organization related items, must obtain a City sales tax license and collect and remit all applicable City sales taxes on those sales.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT LOVELAND TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE LMTC (LOVELAND MUNICIPAL TAX CODE) AND APPLICABLE RULES AND REGULATIONS.