

When do we need to worry about Sales Tax?

Situation	Description	Sales Tax Implications	Examples
Simple Resale	Most common – e.g. Club buys item for \$6 and sells it for \$10.	Club/Parish is responsible for sales tax due on the incremental \$4 (assumes that sales tax was paid on the original \$6 purchase)	MC Pizza fundraiser, poinsettias, magnets, snack bar
Resale of product purchased with OLPH Tax ID	A variation of the above – Club buys item for \$6 using the parishes Tax ID number (and pays no sales tax) and sells for \$10.	Club/Parish is responsible for sales tax due on the full \$10	Sharing picnic food, liquor sales at events
Sale of Donated Product	Parishioner donates \$500 worth of product to club. The club sells for \$800.	NO TAX DUE	Pop sold at Round Ball
Sale of Goods used by Church or School	Purchase of goods to sell to parishioners for use in ministry	NO TAX DUE	Gym Uniforms, Bibles
Product purchased with OLPH Tax ID and then donated	John Doe purchases hamburger buns with OLPH Tax ID (no sales tax paid) and donates to Men's Club	NOT ALLOWED	
Bingo, Pull Tabs (must be licensed)	Individual winner in excess of \$ 1,200 in one year	W2-G must be filed to IRS	
Casino Night (must be licensed)	All staff must be unpaid volunteers	3% of gross proceeds; W2-G filed for winner of \$1,200 or more	

Internal Revenue Service Compliance

Raffle Sales

Federal law prohibits the distribution of raffle tickets through the mail. The practice at OLPH has been to ignore this law. Experience tells us that the worst punishment for this is that the post office has the option of disposing of the mailing, without recourse, if they choose.

The law allows you to mail raffle tickets if the word "Donation" is printed on the face of the ticket or in an accompanying letter that an individual can enter the raffle without paying anything for the ticket and actually accepts raffle tickets for entry in the raffle on this basis.

Because raffle ticket sales are considered gambling by the state, the amount collected for tickets are not tax deductible. That fact must be printed on the ticket (it can be very small print).

There are no withholding or reporting duties with respect to winnings paid to an individual of less than \$ 600 in a giving calendar year. Winnings are defined as the amount won in a charitable game less the amount of the wager. If winnings consist of noncash prizes, the amount of the winnings is determined by the fair market value of the noncash item(s). The parish will file federal tax returns reporting amounts of \$ 600 or more as defined above. The parish will provide a Form W-2G to the winners. For amounts in excess of \$ 600 the parish will follow the IRS requirements. **No W-2G will be filed by any organization other than the through the parish business office.**

Event Tickets

Purchase of tickets for events where there is an understanding that the cost of the tickets covers certain services (meal, drink, entertainment) are tax deductible as provided by the law only to the extent that the purchase price exceeds the fair market value of services. The tax deductible amount must be printed on the ticket. For example: Winter Ball \$ 100 per person, cost of dinner, bar, club rental and entertainment averages \$ 68 per person, the tax deductible amount of \$ 32 per person should be on the ticket. These amounts need to be reported to the parish to be included in the annual statements to the donors.

Examples: Winter Ball, Zannoni Awards, Women's Club Installation Dinner

Donations made through Parish Organizations

Donations to any Parish Organizations in which no goods or services were provided must be reported to the parish Business Manager. These amounts will be included in the donor annual report. Dues or fees are not tax deductible and need not be reported to the parish.