

WHAT IS TAXABLE TO NONPROFIT & CIVIC ORGANIZATIONS BY LARRY LATUSO CPA

WHO IS REQUIRED TO FILE SALES TAXES TO THE LOUISIANA DEPT. OF REVENUE?

Generally nonprofit and civic organizations are not required to collect and remit sales tax on dues.

However, if the organization provides access to or the privilege to amusement, entertainment, athletic, or recreational facilities DUES ARE TAXABLE.

Sales of personal items and concessions are taxable.

HOW DO I COMPUTE THE SALES TAX TO REMIT?

Add 5% to the sales price

Divide total collections by 1.05 ($1,000/1.05=952.38$)

VENDOR'S COMPENSATION

What is it?

Multiply tax due(line 9) by .0748%; enter on line 10.

Must be filed by the 20th of next month. Late filing subject to penalties and interest (7%)

HOW DO I APPLY FOR SALES TAX NUMBER

Complete form R-16019

Write on top of form "CASUAL FILER"

Email form to centralreg@LA.GOV

TAX RATE TO COLLECT:

5% -4/1/16 TO 6/30/16

3% -7/1/16 TO 6/30/18

0% -7/1/18 TO 3/31/19

TAXPAYER ASSISTANCE

SALES.INQUIRIES@LA.GOV or 225-219-7462

For more information read Revenue Information Bulletin (RIB)# 16-014

Taxes on Dues to Civic Associations and Homeowner Associations (and Non-profits)

This is to supplement the information provided by Larry Latuso, of SCORE, and the LA Dept. of Revenue's Information Bulletin No. 16-014.

Generally, dues are not taxable to Civic Associations and Homeowner Associations. It is when the association sells tangible items or when the dues allow members access to an amusement, entertainment, athletic or recreational facilities that sales tax must be paid. The rate changes in time (see bulletin).

Mr. Latuso gave some examples, but you may forward specific questions to SALES.INQUIRIES@LA.GOV or 225-219-7462. The taxes are paid to the LA Dept. of Revenue. The city-parish has nothing to do with it.

Examples:

If the association owns a pool and dues go toward entrance to the pool the dues could be taxed.

If there is a private lake that residents use and it is maintained by the association, the dues are taxed. That would be 5% of the total dues.

If the association has a crawfish boil and charges per person, the income is taxed.

If a neighborhood t-shirt is given out when dues are paid it probably does not need to be taxed. An Easter Egg Hunt or Wine Walk would not be taxed unless you were selling tangible goods.

Associations will pretty much be on the honor system with their reporting, but can be audited by the state. It pays to be honest.

Very Important:

If you will just occasionally be subject to the tax for special events: When you apply for your Vendor's I.D. number (Complete Form R-16019) be sure to write "**CASUAL FILING**" at the top of the form. This means you will only be filing when you have an event that merits paying taxes. If you don't write "Casual Filing" you will be mandated to fill out a tax form every month and can be fined if you don't. The tax form is due on the 20th of the month or you will be fined.

Vendor Compensation: They will allow associations to keep part of the sales tax for administrative expenses. Multiply the tax by .0748% and enter on line 10 of the Form. That is what you get to keep. You lose the Vendor's Compensation if you don't file by the 20th of the month. That could be significant for associations with lakes and others who must pay 5% of their total dues.

These are added notes to a presentation by Larry Latuso at the Federation of Greater Baton Rouge Civic Association's May 12, 2016 meeting. – Mary Fontenot

Revenue Information Bulletin No. 16-014

March 30, 2016

Sales Tax

Taxability of Dues Paid to Nonprofit, Civic Organizations Which Entitle the Member to Receive Access to Clubs or the Privilege of Having Access to or the Use of Amusement, Entertainment, Athletic, or Recreational Facilities

Act 25 of the 2016 First Extraordinary Session of the Louisiana Legislature enacted La. R.S. 47:302(V), 321(L), and 331(S) which provide that certain state exclusions and exemptions are operative and in effect for the purposes of the imposition of state sales taxes pursuant to La. R.S. 47:302, 321, and 331. The effective date of Act 25 is April 1, 2016.

Act 26 of the 2016 First Extraordinary Session of the Louisiana Legislature enacted La. R.S. 47:321.1, which imposes an additional state sales tax in the amount of one percent (1%). Beginning April 1, 2016, certain state sales tax exemptions and exclusions will continue to be in effect with regard to the additional state sales tax levied pursuant to La. R.S. 47:321.1. The effective date of Act 26 is April 1, 2016.

Pursuant to La. R.S. 47:301(14)(b)(i), one of the specifically enumerated services subject to sales tax in Louisiana is the furnishing, for dues, fees, or other consideration, of the privilege of access to clubs or the privilege of having access to or the use of amusement, entertainment, athletic, or recreational facilities. A membership fee, dues, or other consideration paid to an organization providing access to a club or the privilege of having access to amusement, entertainment, athletic, or recreational facilities is subject to taxation.

Louisiana Revised Statute 47:301(14)(b)(i) provides a sales tax exclusion for membership fees or dues paid to nonprofit, civic organizations granting access to clubs or the privilege of having access to amusement, entertainment, athletic, or recreational facilities. However, this sales tax exclusion is not operative and in effect for purposes of Acts 25 and 26. Therefore, membership fees and dues paid to these organizations will be subject to state sales tax. Membership fees or dues paid to nonprofit, civic organizations such as the Young Men's Christian Association, which grant members the privilege of having access to workout facilities, clubs, and swimming pools will be subject to state sales tax. Membership fees or dues that entitle the member to use the organization's clubs, or amusement, entertainment, athletic, or recreational facilities will be subject to state sales tax. Membership fees or dues paid to a club such as the Rotary Club, which does not grant members access to a club or the privilege of accessing amusement, entertainment, athletic, or recreational facilities will not be subject to state sales tax.

A Revenue Information Bulletin (RIB) is issued under the authority of LAC 61:III.101 D. A RIB is an informal statement of information issued for the public and employees that is general in nature. A RIB does not have the force and effect of law and is not binding on the public or the Department.

Beginning April 1, 2016, membership fees or dues paid to a nonprofit, civic organization which provides access to clubs or the privilege of having access to amusement, entertainment, athletic, or recreational facilities will be subject to state sales tax as follows:

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|---------------------------------------|--------------------------------|
| Effective 4/1/2016 - 6/30/2016 | State Sales Tax Rate 5% |
| Effective 7/1/2016 - 6/30/2018 | State Sales Tax Rate 3% |
| Effective 7/1/2018 - 3/31/2019 | State Sales Tax Rate 0% |

Questions concerning the collection of state sales tax in effect can be directed to sales.inquiries@la.gov.

Kimberly Lewis Robinson
Secretary