



## Concerns About Taxes on Nonprofit Fundraising Events

The North Carolina Center *for* Nonprofits has more than 1,400 nonprofit members serving all 100 counties of North Carolina. The Center has heard from many of these organizations about confusion regarding whether they need to collect and remit sales tax on their fundraising events. By clarifying that bona fide nonprofit fundraising events are not subject to sales tax, the NC General Assembly can help ensure that donors' contributions to churches and nonprofits are used for mission-related programs, services, and activities rather than for administrative costs or to pay state taxes.

### Background

- Under current law, sales tax is charged on admission fees to entertainment activities, which are defined to include live performance or events of any kind, the purpose of which is for entertainment.
- Several types of activities offered by nonprofits – such as participation fees, tuition or fees for educational events, and tax-deductible charitable contributions – are expressly excluded from sales tax on admission fees.
- Many nonprofits hold live events or performances as fundraising events. The primary purpose of these events is to raise funds to support the nonprofit's mission and activities rather than to provide entertainment. Only a portion of the ticket fees is tax-deductible as a charitable contribution. Typically, these events do not compete with commercial entertainment options.
- Because the statute defining entertainment activities subject to sales tax does not address nonprofit fundraising events, many nonprofits are confused whether they need to charge sales tax on tickets to these events – or at least the portion of ticket prices that is not tax-deductible as a charitable contribution. Adding sales tax to ticket fees often creates administrative burdens for nonprofits and reduces the amount of revenue from events that goes to nonprofits' missions.

### Potential solution

- **The General Assembly could amend G.S. 105-164.4G to clarify that nonprofit fundraising events are not subject to sales tax since they are held for the purpose of raising money to support nonprofits' work – not for the purpose of entertainment.**
- **If the Revenue Laws Study Committee will be meeting after the 2019 long session concludes, it may be worthwhile for the Committee to consider this issue and recommend legislation for the 2020 short session.**

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