

A General Guide to the South Carolina Sales Tax Exemption for Nonprofit Organizations

A publication of the
South Carolina Department of Revenue

Publication # 4
October 23, 2007

Certain nonprofit organizations in South Carolina are exempt from sales and use tax on items sold by the organizations for charitable purposes. The exemption applies only to items purchased for resale and does not apply to items purchased by an organization for its own use. This handout should answer most questions you have about which organizations qualify and how to apply for the exemption.

What are the requirements for the tax exemption?

Your organization qualifies for an exemption certificate if it meets all three of these requirements:

- ❶ The organization is selling goods;
- ❷ The organization qualifies for the property tax exemption under South Carolina code section 12-37-220(A)(3 or 4), or (B)(5, 6, 7, 8, 12, 16, 19, 22, or 24) even if the organization does not own property (these organizations are listed below); and
- ❸ The organization is exempt from federal tax under Internal Revenue Code section 501(C)(3) or (19). The organization must provide documents that show that all money is used for charitable purposes and no individual benefits.

Organizations which meet the three requirements and may qualify for the exemption are:

- churches
- public libraries
- charitable trusts and foundations organized for charitable and public purposes
- American Legion, Veterans of Foreign Wars, Spanish-American War Veterans, Disabled American Veterans, Fleet Reserve Association or any similar veterans organization chartered by Congress

- YMCA or YWCA
- Salvation Army
- Boy and Girl Scouts of America
- Palmetto Junior Homemakers Association, New Homemakers of South Carolina, South Carolina Association of Future Farmers of America, and New Farmers of South Carolina
- Any religious, charitable, educational, literary or fraternal society, corporation or other association
- Volunteer fire departments and rescue squads
- All community-owned recreation facilities open to the public and operated on a nonprofit basis
- Nonprofit or eleemosynary community theater companies, symphony orchestras, arts councils and commissions and other organizations devoted solely to promoting the arts

Which organizations do not qualify for an exemption?

An organization does not qualify for the tax exemption if it is purchasing items for its own use and not for resale.

An organization may be exempt from property tax, but is not exempt under one of the acceptable sections authorized by this exemption. For example, these organizations are exempt from property tax, but are not eligible for the sales tax exemption:

- State, county or municipal governments, school districts and other governmental authorities
- Public and private schools, colleges and other institutions of learning
- Nonprofit hospitals and other nonprofit institutions which care for children or for people who are sick, disabled, elderly or poor
- Nonprofit museums

How to apply for an exemption

To qualify for this exemption, organizations are required to complete and file Form ST-387, *Application for Sales Tax Exemption for Exempt Organizations*. Your organization is not exempt from the tax unless your application has been submitted to and approved by the Department of Revenue and you have received the exemption certificate. The application form is available on the Department of Revenue's home page on the Internet at <http://www.sctax.org>. Form ST-387 also is available from any Department of Revenue office or by calling 1-800-768-3676. If you call from a fax machine, the form can be immediately faxed back to you. If not, the form will be mailed to you.

Will we need a retail license?

If your organization qualifies for the sales tax exemption you do not need a retail license.

Using the exemption certificate

This exemption does not allow an organization to purchase tax-free any items which will not be resold. For example, a civic club may not purchase food tax-free for a dinner for the members. However, if the food is to be used for a fundraising dinner where the meals are sold, then the food may be purchased tax-free.

Organizations must pay sales tax on items you buy to donate to other organizations or individuals, items you buy to give away as prizes, and items you buy for the organization to use. You may purchase tax free items you will resell or items you buy to be auctioned.

Provide each retailer with whom you make tax-exempt purchases with a copy of the exemption certificate. The retailer will keep it on file for you, so you won't need to submit a copy with each purchase. Be sure to inform the retailer when you are making a tax-free purchase. If you make purchases tax-free and the Department of Revenue determines later that the purchase did not qualify, the seller will be liable for back taxes, penalties and interest. So be sure to keep the retailer properly informed about your purchases.

Organizations or individuals should be sure the exemption certificate is used properly. Improper or illegal use of the exemption certificate will result in demand for payment of taxes, penalties and interest. Abusive cases could result in criminal charges.

Maximum tax on certain purchases

The maximum sales tax is \$300 on purchases of musical instruments or office equipment by religious organizations. The musical instrument or office equipment must be located on the organization's property and used only for exempt purposes. The maximum tax applies to each instrument or piece of equipment purchased, not the combined purchase.

To obtain the \$300 maximum tax, the religious organization must give the seller a completed Form ST-382, which is an affidavit certifying that the purchase is being made by an organization qualified for the maximum tax. The affidavit is kept on file by the seller.

For more information

Helpful telephone numbers

Applying for exemption	(803) 896-1350
Forms	(800) 768-3676
Publications	(803) 898-5419
Retail license	(803) 896-1350
Sales and use tax	(803) 898-5788
Tax registration	(803) 896-1350

Taxpayer Service Centers

Charleston	(843) 852-3600
Columbia	(803) 898-5660
Florence	(843) 661-4850
Greenville	(864) 241-1200
Rock Hill	(803) 324-7641

Internet

The Department of Revenue's home page may be found at <http://www.sctax.org>. Forms, general information, sales tax laws and regulations, and policy documents may be found there. You may communicate with Department of Revenue employees by E-mail. The E-mail address is composed of the first six letters of the employee's last name plus the first letter of the first name followed by @sctax.org.

This publication is intended to provide basic information about sales and use tax. It is not a substitute for the law. We would advise you to seek legal advice if there are any questions about your tax obligations.