



FYI Sales 86

Sales Tax Exemption on School-Related Items

GENERAL INFORMATION

Beginning September 1, 2008, sales made by schools, school activity booster organizations, and student classes or organizations are exempt from state sales tax if all proceeds of the sale are for the benefit of a school or school-approved student organization. A "school" includes both public and private school for students in kindergarten through twelfth grade or any portion of those school grades. [§39-26-725(2), C.R.S.] Preschools, trade schools, and post-secondary schools are not eligible for this exemption.

All of the proceeds of the sale must go to the benefit of the school or school-approved student organization in order to qualify for this exemption. The only exception is that the proceeds can be used to pay the actual cost of the commodity sold. This exemption does not apply if proceeds are used to pay facility charges (rental of space or equipment), labor (school employee, security personnel, or independent contractor costs), transportation, meals, insurance, and other costs.

This state sales tax exemption includes, but is not limited to, fundraiser items such as gift wrap, bake sale goods, silent auction donation items, and booster club concession stand food items that are sold by the school or a school-related organization.

Although a sale may not be exempt as sales related to a school because a portion of the proceeds are used for paying expenses other than the cost of the commodity, a sale by a school may, nevertheless, be exempt under a separate exemption. Sales tax sales by a parent/teacher association for the benefit of a public school, or organized public school activities, or to pay the reasonable expenses of the association are exempt if the association is a charitable organization and the school that it supports is a public school. A parent/teacher association supporting a private school is not entitled to this exemption [§39-26-718(1)(c), C.R.S.]

OBTAINING A LICENSE

In order to obtain items to sell for fundraising without paying tax to the vendor, school-related organizations and PTO/PTA organizations should obtain a sales tax license. New licensees should apply for a charitable sales tax license, which has a fee of \$8.00 and is renewed at the end of each odd-numbered year. There is no deposit for this license.

Public schools should obtain a standard sales tax license. There is no fee or deposit requirement for public schools. Apply for a state sales tax license online at www.Colorado.gov/coloradobusinessexpress and receive your Colorado Account Number (CAN) license number immediately. If you cannot apply online, you may complete and mail in the Colorado Sales Tax/Withholding Account Application (CR 0100). You will receive your license and account number by mail. Allow four to six weeks for processing.

FILING OF RETURNS

Groups that are **not** subject to local sales tax will not have any tax to report and should request a filing status of "Annual" when registering for a sales tax license. Groups that are subject to local tax should file a Sales Tax Return (DR 0100) quarterly or annually. Filing forms will be sent after the sales tax account is set up with the department.

LOCAL AND SPECIAL DISTRICT SALES TAX FOR SCHOOL-RELATED SALES

The sales tax exemption for school-related sales does not apply to state-collected city and county local sales tax unless they have added the exemption to their ordinances. For detailed information about local sales rates and exemptions for cities and counties where the state collects the tax, see Revenue Online, www.Colorado.gov/RevenueOnline, click the Business button, and see the listing under BusinessServices. Or refer to the publication Colorado Sales/Use Tax Rates (DR 1002) which can be found on the department's Web site. This exemption does apply to RTD/CD special district sales tax and Regional Transportation Authority (RTA) sales tax.

If local tax must be collected, the tax should be calculated on the sales price. For silent auction donation items, the tax should be calculated on the lesser of the sales price or fair market value of the donation.

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.