

Student Organizations Tax Policy

Student Organizations at Trinity University are classified as chartered, sponsored, registered or Greek. The classification of an organization determines the legal relationship between the organization and the University and as such, has implications for financial policies involving federal and state taxes. What follows is meant to provide Student Organizations with general information to assist them in their planning and adherence to related state and federal tax laws.

Important Definitions

To better understand how your organization will be affected by the tax information below, it is necessary to understand a couple of important terms.

Bona Fide Chapters of Trinity University:

A student organization is a bona fide chapter of the University only when designated as such by Campus & Community Involvement (CCI). CCI will provide this designation when the organization is a branch of the University that is created for the purpose of a business or activity other than instruction; or participatory group work, and organized by electing officers, holding meetings, conducting business, etc. Chartered Organizations are considered Bona Fide Chapters of Trinity University. Any other student organization wanting this designation must apply for it directly to CCI.

Qualified Student Organization:

To be designated as a qualified student organization, the organization cannot be a bona fide chapter of the University, and the University must file a University-issued certification with the Texas State Comptroller showing the organization is affiliated with Trinity University. This certification is obtained by sending a request to CCI for review in conjunction with the Business Office. The certification is valid until the student organization is decertified, suspended, or otherwise loses its campus privileges or affiliation and the University notifies the State Comptroller. Sponsored and Registered organizations will be automatically named as qualified student organizations.

Tax Issues

The following section addresses tax issues including tax exemptions for purchases and collecting tax on sales.

Federal Income Tax

In general, registration with and official recognition by Trinity University as a qualified student organization does not give a qualified student organization federal income tax exemption (with the exception of bona fide chapters). Only University offices and departments may use Trinity University's tax identification number for tax-exempt status. If the qualified student organization is a chapter of a larger national organization, the student organization should check with the parent organization to determine if it is covered under the parent's federal tax-exempt status and is able to use the parent's tax exempt identification number.

If the qualified student organization has “unrelated business income,” then it will need to consult with an accountant to determine if it must file a federal income tax return. For more information please review Publication 598 available at www.irs.gov.

Texas Sales Tax

There are two issues when thinking about sales tax in Texas – paying sales tax on purchases and collecting or remitting sales tax on items organizations sell. It is important to distinguish these two activities.

Purchases

Sales tax exempt status only allows an organization to avoid paying sales tax when buying, leasing, or renting taxable items that are related and necessary to the organization’s exempt function. An item purchased tax-free cannot be used by a private party or another individual for his/her private benefit. An organization must apply to the Texas State Comptroller’s Office to receive sales tax exempt status. Trinity University is exempt from paying sales tax on its purchases; however, qualified student organizations cannot use Trinity’s state tax-exempt status when making purchases unless they are designated as bona fide chapters of Trinity University.

Sales

Student organizations should remit sales tax to the State of Texas for all qualifying sales. Each qualified student organization (with the exception of bona fide chapters) must obtain a sales tax permit and collect sales tax on every taxable item sold and then remit this money to the State. If an organization uses off-campus banking, that organization is responsible for remitting and reporting the tax to the State on its own. For organizations that utilize an on-campus account, the University will remit the sales tax to the State on behalf of the organization. Funds should be deposited with the Business Office Cashier located in Northrup Hall. The gross sales and sales tax amount should be listed separately on the deposit slip. The sales tax collected will be deposited in a separate account monitored by the Business Office. In order for the Cashier to know that funds from sales tax are being deposited, please separate the total sales (without tax) and the sales tax collected.

A sales tax permit can be obtained online through the Texas State Comptroller’s website at <http://www.window.state.tx.us/taxpermit/>

Taxable items are taxable services as well as tangible personal property. Tangible personal property is any personal property that can be seen, weighed, measured, felt, touched, or that is perceptible to the senses in any other manner. Sales of services are exempt unless specifically designated as taxable. (section 151.0101 of the Texas Tax Code). Please visit the Texas State Comptroller’s website for a list of publications that may help you to determine whether a service is taxable at <http://www.window.state.tx.us/taxinfo/taxpubs/index.html#sales>
Bona fide chapters of Trinity University are allowed to have two one-day, tax free sales each calendar year. During such sales the organization may sell any taxable item tax free as long as the price of the item does not exceed \$5,000. However, an exception exists – a taxable item regardless of the sales price–may be sold tax-free if the item is manufactured by the bona fide

chapter or it is donated to the chapter and is not sold back to the donor. One day is defined as a consecutive 24 -hour period. The two sales can be held back-to-back, but cannot exceed a maximum of 48 consecutive hours (section 151.310 of the Texas Tax Code). Further, if two or more bona fide chapters jointly hold a tax-free sale, each organization may hold one additional tax-free sale during the same calendar year.

Qualified student organizations are eligible for the following exceptions:

- (1) The first \$5,000 in total receipts from taxable sales in a calendar year is exempt from sales tax. Sales generated on the monthly one day tax-free sales day (see below) are not included in the \$5,000 total (section 151.321 of the Texas Tax Code).
- (2) A taxable item may be sold tax-free if the purchase price is \$5,000 or less in a one day only sale and such sale is held only once per month. One day means a 24-hour period. The qualified student organization itself must have a primary purpose other than engaging in business or performing an activity designed to make a profit, and the purpose of the sale must be to raise funds for the organization. A sales tax exemption exists for a taxable item sold regardless of the sales price, if the item was manufactured by the qualified student organization, or the item was donated and not sold back to the donor. When buying taxable items to resell, the qualified student organization may supply the vendor with a sales for resale certificate (form can be obtained from Campus and Community Involvement) showing the student organization as the purchaser and stating the reason for the exemption is that the items are being purchased for resale during such a one-day sale. If questioned by customers as to why no tax is being charged, the student organization should indicate that the sale is one of its tax-free events.(section 151.321 of the Texas Tax Code)

Becoming a 501(c) Organization

An organization may wish to apply for tax-exempt status as to federal income tax; however, applying for such status is a complex process and may take a minimum of six months or over one year for a final determination by the Internal Revenue Service (IRS). In order to be granted tax-exempt status, the organization must be operated as a non-profit organization, meaning that no part of the net earnings of the organization are paid to a member of the organization for his/her benefit. There are different types of non-profit organizations that can be granted tax-exempt status if they are organized for charitable or other socially beneficial purposes under the Internal Revenue Code Section 501(c). Not all non-profits are tax-exempt. If tax-exempt status applies, a student organization may likely fall under one of the following categories: charitable entities organized and operated exclusively for, among other things, religious or charitable purposes, civic leagues and organizations operated exclusively for the promotion of social welfare, or clubs organized for pleasure, recreation or other non-profitable purposes.

There are advantages, disadvantages and exceptions to each and these should be studied in-depth before application is made. If the organization decides to apply for tax-exempt status, it should consult the IRS website at www.irs.gov. As procedures and laws constantly change, a student organization should consider consulting an attorney specializing in this area if it wishes to apply for tax-exempt status.

Bank Accounts

All organizations are offered the opportunity to have a bank account through the Business Office at Trinity University. The following information will provide you some important information in helping student organizations understand the difference between on- and off-campus accounts.

Bank Accounts Outside of Trinity University

If a student organization opens an off-campus bank account, the bank will ask for the organization's tax identification number (TIN), which may also be referred to as the Employer Identification Number (EIN). If the organization has been deemed tax-exempt by the IRS, or the organization is able to use the tax-exempt identification number of a parent organization, then the appropriate number should be provided to the bank. Registration with and official recognition by Trinity University as a qualified student organization does not give such organization the right to use Trinity's tax identification number. Only University offices and departments may use Trinity's tax identification number. If the qualified student organization needs to apply for its own tax identification number, it will need to complete a Form SS-4 for the IRS. Please consult the IRS website at www.irs.gov.

Bank Accounts at Trinity University

By setting up an on-campus account with Trinity University, the University is acting as the student organization's bank. The funds belong to the student organization, but it must comply with University policies and procedures to deposit or withdraw funds. A request to create an on-campus account is submitted to the Coordinator for Student Organizations.

Special thanks to Baylor University for allowing their policies to serve as an example and reference for the creation of this document

Student Organization	Number of Tax Free Sales	Amount Exempt from Sales Tax
Bona Fide (Chartered Organizations)	two one-day tax free sales each calendar year	any taxable item up to \$5,000 **
Qualified (Sponsored/Registered Organizations)	one-day tax free sale per month of any taxable item up to \$5,000	first \$5,000 in taxable sales per calendar year ***

*** a single taxable item regardless of the sales price can be sold tax free if the item is manufactured by the organization or it is donated to the organization and is not sold back to the donor*

**** sales generated on the monthly one day tax-free sale are not included in the \$5,000 total a single taxable item regardless of the sales price can be tax free if the item was manufactured by the organization or was donated to the organization and is not sold back to the donor*

Helpful links for more additional information:

Texas State Comptroller's Office <http://www.window.state.tx.us/taxinfo/local/>
<http://www.window.state.tx.us/taxinfo/sales/>

Internal Revenue Service <http://www.irs.gov/pub/irs-pdf/fss4.pdf>

Examples:

1. A qualified student organization would like to sell t-shirts to raise money for their group. The t-shirts will not be donated to the organization for resale nor are they manufactured by the organization. They are going to be sold for three days in the Esplanade. So far this calendar year, the qualified organization has a total recorded \$250.00 in taxable sales and has not held a sale at all during the current month.

Purchasing the T-Shirts: The student organization presents an exemption certificate obtained from CCI before purchasing from a t-shirt vendor which notifies the vendor that the t-shirts are being purchased for resale.

Tax Treatment of Sales: Because t-shirts are tangible personal property, they are a taxable item. The organization can sell them tax free for all three days because they have not exceeded \$5,000 in taxable sales for the calendar year.

2. A bona fide chapter needs to purchase supplies for their office from Office Depot. The purchase can be made without paying sales tax. The person shopping for the organization should have a tax exemption certificate received from CCI and present it to the cashier at the time of purchase. Note, if the organization was a qualified organization it would have to pay sales tax on the purchase of supplies.