



Exempting Nonprofit Fundraising Events Can Ensure that Charitable Resources are Used for Mission-Related Purposes

The North Carolina Center for Nonprofits works with nonprofits serving all 100 counties of North Carolina. Many of these organizations have expressed 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 performances 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. Examples include galas with live music and live auctions that include short skits or comedy acts. During the COVID-19 pandemic, many nonprofits have shifted these events to online functions. 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.
- 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.**

For more information, contact David Heinen, Vice President for Public Policy and Advocacy, at 919-986-9224 (cell) or dheinen@ncnonprofits.org.