
CHARITABLE ORGANIZATIONS AND GOVERNMENTS

The *Arvada Municipal Code* provides for the exemption from the sales, use, lodging, and admission tax on sales to charitable or religious corporations, when the purchased property or service is to be used in the conduct of their regular charitable or religious functions and activities.

Government

Government includes the U.S. Government (Federal) government, the State of Colorado, and their departments, institutions, and political subdivisions. Political subdivisions include Colorado counties, school districts, municipalities, and certain special districts.

Charitable Organizations

Charitable organization means any entity which:

1. Has been certified as a not-for-profit organization under section 501(c)(3) of the Internal Revenue Code; and
2. Is an organization which exclusively, and in a manner consistent with existing laws and for the benefit of an indefinite number of persons or animals, freely and voluntarily ministers to the physical, mental or spiritual needs of persons or animals, and which thereby lessens the burdens of government.

Exempt Purchases

The *Arvada Municipal Code* provides an exemption from sales, use, lodging, and admission tax on sales by government and charitable organizations if such purchases meet all of the following qualifications:

1. The purchase must be related to the regular charitable or governmental functions and activities;
2. The purchase must be billed directly to the organization, and payment must be made directly from the organization's funds (purchases made by individuals who will subsequently be reimbursed by the organization do not qualify); and
3. The organization must not be reimbursed, in whole or in part, for the purchase in any way including, but not limited to, the sales of tickets, collection of a registration fee, or receipt of an involuntary contribution.

The seller has the burden of proving that a transaction was properly exempted and will be required to document such claims in an audit situation. In questionable situations, the vendor must collect the tax and the purchaser may apply directly to the City for a refund of the disputed tax.

EXAMPLE

1. A teacher at a local public school is purchasing goods for their classroom. The teacher is paying with a personal check, but claims that the purchase will be reimbursed by their school. Because the purchase is not paid for directly by the funds of the government, the sale is not tax exempt.

2. A charitable organization is holding a banquet at the Arvada Center. The organization is selling tickets to the event in order to recover the costs. Because the organization will be reimbursed for the cost of the banquet, the center should charge the appropriate taxes.
3. An employee of the City of Arvada buys office supplies from a local vendor and furnishes a copy of a purchase order to the vendor, who subsequently bills the City for the supplies. Because the supply purchase is billed to and paid for directly by the funds of the government, the purchase is properly exempted from sales tax. The vendor should attach a copy of the purchase order to the invoice as proof of proper exemption.

ARVADA MUNICIPAL CODE – Chapter 98 - Taxation

Sec. 98-61. Definitions.

Charitable organization means any entity which:

- (1) Has been certified as a not-for-profit organization under section 501(c)(3) of the Internal Revenue Code; and
- (2) Is an organization which exclusively, and in a manner consistent with existing laws and for the benefit of an indefinite number of persons or animals, freely and voluntarily ministers to the physical, mental or spiritual needs of persons or animals, and which thereby lessens the burdens of government.

Sec. 98-70. Exempt sales.

There shall be exempt from taxation under the provisions of this article the items of sales and services including, but not limited to the following:

- (1) All sales to the United States government, to the state, its departments and institutions and the political subdivisions thereof in their governmental capacities only.
- (2) All sales to religious, charitable and eleemosynary corporations, in the conduct of the regular religious, charitable and eleemosynary functions and activities.
- (9) Additional provisions of exemption from the tax under this article:
 - f. All sales by churches, clubs, lodges, parent-teacher associations, student organizations, youth organizations and organizations chartered by the state as nonprofit corporations, provided that such sales are infrequently conducted, that no regular place of sale is maintained and that all proceeds from such sales are used for the activities of the organization conducting the sale.

n. All sales made to schools, other than schools held or conducted for private or corporate profit.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT ARVADA TAX LAW FOR THIS SUBJECT, INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE ARVADA MUNICIPAL CODE. HOWEVER, THE TAX GUIDE SHALL BE USED IN CONJUNCTION WITH THE ARVADA MUNICIPAL CODE (CHAPTER 98) IN DETERMINING TAX LIABILITY.