

Sales Tax Collection Responsibilities of Governmental Units at Fundraising Events

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Overview

Governmental units in Nebraska, even though exempt from **paying** sales tax, are still required to **collect** sales tax when selling taxable property to the general public or employees during the conduct of fundraising activities for charitable organizations. The only exception to this rule is where federal law prohibits the collection of sales tax by federal agencies.

Governmental units making sales of taxable property are retailers and must obtain a Nebraska sales tax permit. The permit is obtained by completing and submitting a [Nebraska Tax Application, Form 20](#), to the Nebraska Department of Revenue.

Taxable Sales

When governmental units, or their employees on behalf of the governmental units, sell property that is taxable, sales tax must be collected on the total selling price. If the selling price includes a donation, the governmental unit must determine a fair market value for the taxable property and collect Nebraska and any applicable local sales tax on that amount. If the fair market value of the property and the donation are not separately stated on the receipt given to the purchaser, the **total** charge is taxable. Examples of taxable sales include:

Prepared Food – Sandwiches, ice cream cones, or fountain drinks (see discussion on sales of “Food and Food Ingredients” below);

Donated Property – Clothing, books, or jewelry which have been donated to the governmental unit by employees or others; and

Gift Baskets – Gift baskets containing only taxable items. If the gift basket contains both taxable items and exempt items (for example, food), the sale of the basket is subject to sales tax when the value of the taxable items, including the basket, is greater than the value of the exempt items in the basket.

Example 1. A gift basket includes a tablecloth, knife, paper plates, and cups, which are taxable items; and also a box of crackers and a block of cheese, which are exempt items. The basket, tablecloth, knife, paper plates, and cups have a combined value of \$20; the crackers and cheese have a combined value of \$5. The basket sells for \$50, and the receipt given to the purchaser shows the fair market value of the gift basket as \$25 and a donation of \$25. Sales tax must be collected on \$25 as the value of the taxable items in the basket is greater than the value of the exempt items.

Tax Exempt Sales

When governmental units sell items that are sales tax exempt, sales tax is not collected. If the selling price includes a donation, the governmental unit is encouraged to determine a fair market value of the exempt property and disclose this amount on the receipt given to the purchaser. Examples of tax exempt sales include:

Food and Food Ingredients – Bakery items, candy, honey, or jam;

Gift Certificates – Sales of gift certificates;

Donated Property – Lottery tickets that have been donated to the governmental unit by employees or others; and

Gift Baskets – Gift baskets containing primarily tax exempt items. If the gift basket contains both tax exempt items (for example, food), and taxable items, the sale of the gift basket is tax exempt when the value of the tax exempt items is more than the value of the taxable items in the basket, including the value of the taxable basket.

Example 2. A gift basket includes a box of crackers, cheese, grapes, and apples, which are tax exempt items; and napkins, which are taxable. The crackers, cheese, grapes, and apples have a combined value of \$20; the basket and napkins have a combined value of \$10. The entire gift basket sells for \$50, and the receipt given to the purchaser shows the fair market value of the gift basket as \$30 and a donation of \$20. The sale of the basket is sales tax exempt as the value of the tax exempt food items is greater than the value of the taxable items.

Tournament Fees – Payments by participants to a governmental unit sponsoring a tournament, such as a golf scramble.

Auction Sales

Sales conducted by an auctioneer or as a silent auction are subject to the same sales tax rules outlined above.

Reporting Tax Collected

Sales tax is reported and remitted on the [Nebraska and Local Sales and Use Tax Return, Form 10](#). This return may be filed [electronically](#) from the Department's website. For additional information, please contact Taxpayer Assistance at 800-742-7474 (NE and IA), 402-471-5729, or visit the Department's [website](#).

Resource List

[Governmental Entities Information Guide](#)

[Nebraska Sales and Use Tax Regulation 1-093, Governmental Units](#)