ADMINISTRATIVE GUIDELINES
MEMBERSHIP DUES
Procedure 411

69.05.040(11) (a) Membership dues and assessments, initiation fees and donations paid to:

1. *Labor unions, fraternal organizations, and other nonprofit organizations that have obtained a 501(c) exemption certificate from the Internal Revenue Service; or*

2. *A shopping center merchants' association whose membership is restricted to, and required of, the tenants of a one-owner shopping center and their common lessor but only to the extent such payment is for the purpose of promoting the general business interests of its members.*

(b) The exemptions established by this subsection do not apply to a set minimum or suggested fee charged for admission to specific functions.

Applicable Definitions under 69.05.010:

Donation *means any voluntary consideration, whether money, credit, rights, other property, or services provided to an exempt organization, as defined in 69.05.040(11), for which the provider neither expects nor receives anything more than goods or services of insubstantial value relative to the provided consideration.*

Membership fees or dues *means the price members pay to be in an association, chamber, nonprofit, or organization. Such payment can be made one time or recurrently, may include a benefit or service, and is reportable.*

Donations

Some organizations believe that if they call payments "donations," they can avoid the obligation to collect sales tax. To qualify as a donation, a payment must be totally voluntary, with no restrictions placed on people who do not make a payment. "Required donations," which entitle the donor to receive goods, services, or a rental, are taxable. The following tests are made to determine if the payment is considered a donation:

* the property or service must be transferred voluntarily;
* there must be no advantage of a material character received by the donor, and
* there must be an element of benefaction to the transfer.

Nonprofit transactions that meet all three donation criteria are exempt from sales tax and are not reported on the sales tax return form.

Membership Fees or Dues

Organizations that have obtained a letter ruling from the Internal Revenue Service designating the organization's status as qualifying under section 501(c) are exempt from collection of the sales tax on dues and membership fees.

One-time initiation fees are non-refundable payments required by a club from an individual as a precondition for the individual to initially become a member of the club. Membership dues are periodic payments required as a condition for the member to retain the rights and privileges of membership in a club.

While membership fees and dues are exempt, they must be reported on the sales tax return form.

The term "membership" means having all the participation rights of belonging to an organization which shall include, but is not necessarily limited to, the voting for officers, the holding of office, and the ability to change the constitution and bylaws. Membership shall not include any charge that is intended to allow admission to a place, event, or series of events, rather than to confer participation rights.

A shopping center (mall) requiring tenants to become a member of a tenant association for the purpose of promoting the general business interest of its members is exempt from the collection of the sales tax on dues and membership fees. Charges to shopping center tenants for common area maintenance or repairs are taxable.

Set Minimum or Suggested Fee for Admission

The term "admission" means the right or privilege to have access to or use a place or location. This includes season or subscription tickets for specific occasions or for multiple occasions, either limited or unlimited during a period of time. Cover charges, minimum charges, charges for reservations or any similar charges are charges for admissions, and the sales tax must be collected and remitted.

In order for an admission charge to qualify as a "donation," it must be given voluntarily without any coercion. Donations of any amount must be acceptable and those who choose not to donate must not be barred from entry. If a specific dollar amount is designated, it no longer qualifies as a donation and it is subject to the sales tax.

An admission does not constitute a rental of the facilities. Consequently, the purchase, lease or rental of any property by the owner or operator charging the admission is taxable and is not for resale.

Sales of any goods, rentals, or services beyond those associated with membership are taxable and the organization must register and collect the sales tax on those sales. Additionally, this exemption does not apply to purchases of goods, services or rentals.

Proof of Exemption

The organization bears the burden of proving that it is qualified for this exemption. In accordance with CBJ 69.05.050 (b) and 69.050.090 (b), the IRS ruling letter must be made available for review upon request from the Sales Tax Office.