

Miscellaneous Government Regulations

1. Collection of Pennsylvania Sales Tax

- A. Generally, sales of food and beverages are exempt from sales tax if the sales are in the ordinary course of the activities of the church or school (e.g., school cafeteria).
- B. If a church or other affiliated organization caters wedding receptions, dinners, and other events for members and nonmembers alike, the sale of food and beverages is subject to sales tax unless it qualifies as an "isolated sale". Isolated sales are those otherwise taxable events which occur no more frequently than three times or for more than a total of seven days in any calendar year.
- C. Sales tax may apply to some items that are sold in a fund-raising activity unless it qualifies as an "isolated sale". Examples include school supplies, calendars, candles, cosmetics, greeting cards, holiday decorations, stationary, and religious articles including books, compact discs, and audio and video tapes. Other items such as, baked goods, candy, clothing, and magazines are not taxable.
- D. If outside vendors participate in craft shows or fund-raising events held in parish facilities where the vendor is selling taxable merchandise, the parish or school must see that all such vendors have sales tax licenses. The responsibility to collect and remit the tax remains with the vendors.
- E. An application for a sales tax license can be obtained from the Pennsylvania Revenue Department (www.pa100.state.pa.us or 814 871-4491). There is no charge for the license.

2. Parish Purchases and Pennsylvania Sales Tax

- A. Each parish should have its own Pennsylvania Sales and Use Tax Certificate of Exemption. This certificate exempts the parish from paying sales tax on most ordinary everyday purchases. The certificate is renewable every five years and the renewal process is done through the Diocese of Erie and the Pennsylvania Catholic Conference.

3. Federal Income Tax Reporting and Withholding Requirements for Lotteries, Prizes and Bingo

- A. The rules in this area are somewhat complicated. Please refer to the IRS publication "*Instructions for Forms 1099, 1098, 5498, and W-2G*". **The document can be viewed online at the IRS's web site, www.irs.gov.** At a minimum, you should be aware of the following rules:
 - Issue the winners Form W-2G for sweepstake and lottery winnings of \$600 or more. This includes noncash winnings. Federal income tax withholding of 25% applies for sweepstake and lottery winnings of more than \$5,000.
 - Form W-2G is also to be issued to bingo winners totaling \$1,200 or more per event. Federal income tax withholding does not apply to bingo winnings (if a W-2G is issued).
 - Obtain the winner's name, address and social security number if you are required to

issue a W-2G. You may use Form W-9, *Request for Taxpayer Identification Number and Certification*, to request the Taxpayer's identification number.

4. Contributions/IRS Gift Acknowledgements

A. Please be aware that the Pension Protection Act of 2006 included a provision that requires taxpayers to have evidence for all of their deductible charitable contributions. Evidence includes a receipt or their documentation from a financial institution (e.g., a cancelled/imaged check or debit description on their statement). However, an acknowledgement letter is still required for gifts of \$250 or more. Generally, gifts given by a donor that add up to \$250 or more do not require a letter unless the gifts were given on the same day. Written documentation of gifts of \$250 or more must include the following information:

- The donor's name, dollar amount of cash contribution or description of noncash gift and the date received
- The value of any goods or services provided by the charity
- If the church provides no goods or services to the donor, the statement "The donor did not receive anything other than intangible religious benefits."

The documentation must be received by the donor on or before the earlier of the following two dates: 1) the date the donor files a tax return claiming a deduction for the contribution, or 2) the due date including extensions for filing the return. Please refer to page A-15 for a sample letter.

- B. Requirements for Quid Pro Quo Contributions – charitable organizations must inform donors in writing that quid pro quo contributions in excess of \$75 are deductible only to the extent that they exceed the value of any goods or services provided in return. For example, the church has a fund-raising dinner that costs \$100 per person and the fair market value of the food and beverages is \$25. To fulfill the 'quid pro quo' requirements, the ticket could state that the value of the meal is \$25 and the amount deductible is therefore limited to \$75.
- C. An annual contribution statement should be made available to any parishioner who requests a record of their giving.
- D. Please consult **www.irs.gov** for additional and updated information regarding charitable contributions.

5. Miscellaneous Licenses

A. Please be aware that of the possibility that licenses may be needed to comply with regulations pertaining to the following:

- Bingo and small games of chance
- The serving of food to the public or school children
- The sale of alcoholic beverages
- Occupancy of parish buildings for daycare or preschool
- Boiler and elevator inspections

Please contact the appropriate state, county, or local agency for further information. The Pennsylvania Department of Revenue web site is www.revenue.state.pa.us.