

**NEW JERSEY DIVISION OF TAXATION
REGULATORY SERVICES BRANCH
TECHNICAL BULLETIN**

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TAX: SALES AND USE TAX

**TOPIC: PURCHASES AND SALES BY SCHOOLS AND
AFFILIATED ORGANIZATIONS**

New Jersey Public Schools

New Jersey local school districts are political subdivisions of the State of New Jersey. Their purchases, except purchases of energy, are exempt from New Jersey sales and use taxes, pursuant to Section 9(a)(1) of the New Jersey Sales and Use Tax Act. An exempt organization certificate or number is not required for the local school district, public school or board of education to make tax exempt purchases. ST-5 Exempt Organization Certificates are never issued to New Jersey government entities, including public schools. Their official letterhead or official purchase order, signed by a school official, is sufficient proof to the vendor that they are exempt from paying sales taxes. Payment must be made by a school check, including a student activity fund check, or a school voucher. However, for incidental purchases made with a cash advance of \$150 or less from the school, an ST-4 Exempt Use Certificate must be used for proof of exemption.

New Jersey public schools and school districts are not required to collect sales tax on sales made during occasional fundraising events or activities that are relatively short in duration, if all of the proceeds will benefit only the school or school district.

PTA/PTO's and Private Nonprofit Schools

Parent-teacher associations or organizations and private nonprofit schools qualify for exemption from sales and use tax in New Jersey. Upon application to the Division of Taxation, they are granted an ST-5 Exempt Organization Certificate and may make tax exempt purchases (except purchases of energy) by issuing to their vendor a copy of their ST-5 and making payment from the funds of the organization.

Organizations having a valid ST-5 Certificate are not required to collect sales tax on sales made during occasional fundraising events. If the events are relatively short in duration and all proceeds benefit only the organization or the school. When conducting occasional fundraising sales, students and parents may sell the items without collecting tax if payment is by cash or check payable to the PTA/PTO or school. If the end-purchaser makes checks payable directly to the for-profit fundraiser vendor, sales tax must be collected on taxable merchandise. In this case,

the fundraiser vendor must be registered with the Division of Taxation and must remit tax on the gross amount of all such sales, even if a portion of the proceeds will benefit the school.

Non-Exempt School Groups

Groups such as booster clubs, teacher organizations and parent organizations may not use a school's tax exempt documentation to make tax exempt purchases. If a group has **not** qualified for and received an ST-5 certificate in its own name, it must pay sales tax on taxable purchases. When a non-exempt school group makes occasional fundraising sales and the end-purchaser makes payment to the group, the group must pay sales tax on taxable merchandise to the fundraiser vendor. In this case, the vendor must be registered with the Division of Revenue and remit sales tax on the receipts from the sales to the school group, and in this way, the group is not required to collect sales tax on its sales to the end-purchaser. However, if the end-purchaser makes checks payable direct to the fundraiser vendor, the vendor must charge and remit sales tax on the gross amount of all such sales, based on the prices charged to the end-purchaser.

School Stores, Cafeterias and Events

If a public or private school or a PTA/PTO or other school affiliated group operates a school store on a regular, ongoing basis (such as more frequently than monthly), sales tax must be collected on taxable sales. To collect sales tax, the school or organization must be registered with the Division of Revenue and be on a reporting basis for sales tax, for the school or organization to receive sales tax returns and properly remit the tax. The school or organization would issue ST-3 Resale Certificates to suppliers to avoid paying sales tax on store inventory purchases.

School cafeterias, at both public and private schools, are not required to charge sales tax on meals sold to students. Similarly, sales of food and school-related merchandise by a nonprofit school or a school affiliated organization at a stand or booth are not subject to sales tax, if it is operated only during school sporting events or other occasional school events and all the proceeds benefit the school or school district.

Note: A Technical Bulletin is an informational document designed to provide guidance on a topic of interest to taxpayers and describe changes to the law, regulations, or Division policies. It is accurate as of the date issued. However, taxpayers should be aware that subsequent changes in the Tax Law or its interpretation may affect the accuracy of a Technical Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.