**Private Letter Ruling**

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| **Ruling Number:** | **P-2002-079** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Religious organization activities.** |
| **Keywords:** |  |
| **Approval Date:** | **09/24/2002** |

**Body:**

Office of Policy & Research

September 24, 2002

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Dear Sirs:

The purpose of this letter is to respond to your letter dated August 20, 2002.

The letter states:

We are writing to request a private letter ruling regarding to the following scenario. We are a 501(c)(3) organization organized as a religious organization. Our only members are the local churches with their ministers serving as our directors and officers. Upon dissolution our assets can only be distributed equally to the churches qualifying under the IRS code of 1954 who have participated in our organization. No part of our earnings may inure to our directors, officers or other private person.

Our community is small, therefore most of church congregations are small. The organization was formed by all the churches to help finance community services ordinarily provided by the individual churches. This helps eliminate duplication of costs and services. We have community prayer breakfasts, special joint holiday church services, provide assistance to the needy, etc. Our specific daily services are as follows:

1. Senior citizen transportation: A van provides seniors a ride to the doctor, grocery store, etc. these are provided at no cost to the rider. Donations are accepted. The drivers are all volunteers.

2. Meals on wheels: The van is also used to transport meals to seniors provided by a local kitchen that is federally funded. We receive no compensation for delivering these meals. The drivers are all volunteers.

3. Thrift shop and pantry: This is open on a daily basis. All clothes and household goods in the thrift shop are donated by church members. The needy of the community come here and receive clothes and household items at no charge or at a very low cost. The typical pricing is 10 cents to 25 cents for shirts, shoes, sweaters, etc. Good jeans and dresses are 50 cents. Some people want to pay a little due to personal pride. The pantry also provides food staples to families on an as needed basis. The food is all at no charge. The families must obtain a voucher from one of the local churches before they may receive assistance. The fees collected help offset the utilities and insurance on the building that houses the pantry and thrift shop. All labor to run the operation is donated.

4. Hearts and hammers: Community volunteers come together twice a year to do maintenance projects on the homes of the needy and senior citizens who are physically unable to help themselves. The materials are funded by donations. The churches provide names/projects which are considered needy.

5. The ministerial alliance provides emergency shelter, food, etc. to the indigent. This is also done on a voucher basis.

The alliance helps the churches overcome the burden of people who try to take advantage of the system. In the past, people would make a request at one church. Once approved and they used up all the resources at that church they would move along to the next church. The local churches needed a way to ensure the only people being helped were the needy. Under the alliance, there is no duplication of services between churches and the system is used for the better good. It can not be taken advantage of as easy.

The items in question which we need a ruling on are as follows:

a. Should the ministerial alliance be charging sales tax on the items being sold from the thrift shop?

Answer: Yes, religious organization that engage in a retail sale are required to register, collect and remit Kansas retailers’ sales tax.

b. We are currently needing to construct an addition to our thrift shop building. Are we liable to pay sales tax on the materials needed to construct this addition? This addition will also allow more room for the food pantry which is strictly on a no charge basis.

Answer: Purchases of materials for this project are exempt if certain procedures are followed.

Any direct purchases of materials from a retailer of materials made by your organization are exempt (issue exemption certificate ST-28O, enclosed).

If you hire a contractor that is to furnish and install materials, your organization must apply and be issued a project exemption certificate by the Kansas Department of Revenue. Your organization must apply to Kansas Department of Revenue by submitting form PR-76 (enclosed). When the Department approves this request, we will issue to you a project exemption certificate. This project exemption certificate allows the contractor to make purchases without the payment sales tax for materials incorporated in this project.

This is a private letter ruling pursuant to K.A.R. 92-19-59. It is based solely on the facts provided in your request. If it is determined that undisclosed facts were material or necessary to an accurate determination by the department, this ruling is null and void. This ruling will be revoked in the future by the operation of law without further department action if there is a change in the statutes, administrative regulations, or case law, or published revenue ruling, that materially affects this private letter ruling.

Sincerely,

Mark D. Ciardullo
Tax Specialist

MDC

**Date Composed: 10/03/2002 Date Modified: 10/04/2002**