

Illinois Retailers' Occupation Tax (Sales Tax) for Parishes and Schools of the Diocese of Joliet

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Parishes and schools incur Retailers' Occupation Tax (sales tax) liability when they engage in selling tangible personal property at retail (i.e., to the end consumer) except in seven situations. These rules apply to diocesan organizations using the exempt status of a parish, school, or diocesan agency, not to outside organizations. Therefore, if a parish allows the Knights of Columbus to use the parish hall for fish fries, it is the responsibility of the Knights of Columbus to determine whether the event is subject to sales tax, not the parish.

If a parish or school sells tangible personal property at retail, and does not qualify for one of the exemptions, the parish or school must register with the Illinois Department of Revenue and remit sales tax.

Exception I.

Since the parish or school becomes liable for sales tax when selling **tangible personal property**, a few common items are exempt because the items are not tangible personal property such as:

Gift certificates	Car washes	Card party admission
Table/gate fees for bazaars	Dance admissions	Tickets to dramas/musicals
Gate fees for athletic events	Golf outings	Scrip
Entrance fees	Textbook rental fees	

Exception II.

The second exception to sales tax liability are "sales to members" (parishioners and students) **primarily for the purposes of the parish or school**. The regulations define "primarily for the purposes of . . ." very narrowly.

Examples of exempt items under this exemption include:

Missals	Rosaries	Scapulars
Advent candles	"Why Catholic?" DVDs	Spirit wear

Examples of sales to members that do **not** qualify for this exemption include:

- Sales of school books and supplies to students (because the State of Illinois deemed sales of books as primarily for the purposes of the students rather than the school)
- Sales of sweaters, tee shirts, sweatshirts, gym shoes, and jackets **not bearing school insignia**
- Sales through gift shops, bookstores, and thrift/resale stores
- Concession stand sales at non-school Bingo, or non-school athletic events

E-7.1

Exception III.

The third exception to sales tax liability is for sales by parishes and schools to the public that are “noncompetitive with business establishments.” The Attorney General has outlined four criteria to assist in determining whether sales are noncompetitive as follows:

1. The sales must be conducted by members or students, and not by outside salespeople or promoters.
2. All proceeds must go to the charity, and not a portion accruing to the individuals running the sale.
3. The sale must not be a continuing one, but rather should be held either annually or a reasonably small number of times within a year.
4. The dominant motive of the purchase must be the making of a donation to the parish or school, not the acquisition of property.

Examples of sales qualifying for this exemption include:

Parish Anniversary books	Fall fruit sale	“Put Christ in Christmas” magnets
Poinsettias/wreaths	Yearbooks	Window clings

Examples of sales **not** qualifying for this exemption include:

Wrapping paper	Greeting cards	Hats (without school insignia)
Book fairs		

Exception IV.

The fourth exception to sales tax liability are meals for members. To qualify for exemption, all profits must be used for charitable purposes, the meals are confined to the members and guests and are not open to the general public, and the serving of the meals is connected with some religious service or function. There is no limit on the number of events qualifying under this exemption.

Examples of meals qualifying for this exemption include:

School cafeterias	Donuts after Mass	Card party luncheon
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Exception V.

The fifth exception to sales tax liability are for sales by “Teacher-sponsored student organizations.” Such organizations include student councils, student clubs, choral and band groups, etc. This exemption does not extend to sales by the school itself, a school bookstore, or a PTA or PTO.

Examples of sales qualifying for this exemption include:

Sales of magazines, candy, calendars, etc. by a student organization for the benefit of that organization.

Exception VI.

The sixth exception provides a broad exemption for schools. Sales of donated merchandise or food prepared by a volunteer fundraising group, for an event utilizing volunteers including parents and teachers, approved by a school, and for the benefit of a school, are exempt from sales tax. There is no limit on the number of events qualifying under this exemption. Diocesan parochial schools and central high schools qualify, but Religious Education programs do not.

Examples of sales qualifying for this exemption include:

Fish fries, spaghetti dinners, bake sales, school concession stand sales, etc. in which volunteers make the food **and** the proceeds benefit a school. Also, rummage sales or auctions in which all items are donated qualify.

Examples of sales **not** qualifying for this exemption include:

Fish fries, spaghetti dinners, bake sales, concession stand sales, etc. in which the proceeds do **not** benefit a school. If the Catholic Women's Association of a parish operates a fish fry during lent, with the proceeds benefitting the parish, it does not qualify under this exemption because the proceeds do not benefit a school.

Catered events or sales of ready-to-sell items such as greeting cards, wrapping paper, holiday ornaments, candy bars, and frozen pizzas for resale from a supplier who profits from the sale to the fundraising group.

Exception VII.

The seventh exception to sales tax liability are "occasional dinners and similar activities." If a parish or school sells food or merchandise that does not meet one of the six exceptions listed above, the parish or school is allowed **two events annually** without incurring sales tax liability.

Examples of events qualifying for this exemption include:

- A school fundraising dinner that is catered
- A parish carnival, bazaar or fun fair
- A parish bake sale, pancake breakfast, spaghetti dinner, or fish fry
- A parish rummage sale, barn sale or garage sale

When counting the number of events for a calendar year, parishes and schools must aggregate all activities utilizing the exemption of the parish or school. For example, if the parish has a barn sale, the parish elementary school has a catered fundraising dinner, and if the parish Altar and Rosary Society has a bake sale, one of those events incurs sales tax liability.

The attached flowchart may be of assistance in determining whether a parish or school incurs sales tax liability for a particular activity.

It is the intention of the Diocese of Joliet to comply with all tax regulations of the State of Illinois.

Determining Sales Tax Liability For Parishes and Schools of the Diocese of Joliet

Answer the following questions until you reach a “stop,” which means that you have not incurred sales tax liability. If you answer question number 7 without reaching a “stop,” you must collect and remit sales tax to the Illinois Department of Revenue.

1. Are the proceeds derived from selling tangible personal property (food or merchandise)?


Yes, continue ↘

No  .

You are exempt from sales tax

2. Are items sold only to members (parishioners or students) for the purposes of the parish or school?


No, continue ↘

Yes  .

You are exempt from sales tax

3. Are the sales noncompetitive with business establishments, **and** sold by parishioners or students, **and** with all proceeds accruing to charity, **and** not continually operated, **and** sold with a dominant motive of making a donation rather than the purchaser acquiring merchandise?

No, continue ↘

Yes  .

You are exempt from sales tax

4. Are they meals for members connected with a religious service or function?

No, continue ↘

Yes  .

You are exempt from sales tax

5. Are they sold by students of a teacher-sponsored student organization?

No, continue ↘

Yes  .

You are exempt from sales tax

6. Are they sales of donated merchandise or food prepared by a school fundraising group sold primarily by volunteers including parents and teachers, for the benefit of a school?

No, continue ↘

Yes  .

You are exempt from sales tax

7. Is this the third or more sale for the year not passing any of the above criteria?

Yes, There are no more exceptions. You must pay sales tax.

No  .

You are exempt from sales tax