



Kenai Peninsula Borough
Sales Tax Division

Policy _____
Effective January 1, 2017

Education/tuition/instructional/activity fees paid to non-profits

Purpose: To clarify that fees charged for education/tuition/instructional services provided by organizations that have obtained from the IRS a 501 (c) designation are not subject to Borough sales tax.

On September 6th the Kenai Peninsula Borough assembly passed Ordinance 2016-31 which amended a number of sections of the Kenai Peninsula Borough sales tax code. **The changes identified in Ordinance 2016-31 are effective for sales tax periods starting January 1, 2017.**

Some of the changes made in this ordinance will have specific impact on the requirements to collect and report sales tax. The change made to **5.18.200. - Exemptions/waivers—Exemptions. A.20.** requires 501(c) organizations (IRS-approved non-profits) that regularly sell goods, provide services or rentals from an established physical location to collect sales tax on these items when sold in an otherwise taxable transaction.

The purpose of this policy is to clarify that fees charged for education/tuition/instructional/activity services provided by organizations with a 501(c) designation are not subject to Borough sales tax

Policy: Fees, including housing, charged for tuition/education/instructional/activity services provided by organizations that have obtained from the IRS a 501 (c) designation are not subject to Borough sales tax.

Justification

The intent is to exempt educational and instructional services at the primary, secondary and postsecondary levels, the same as Borough code exempts from sales tax the sales and services by nonprofit groups sponsored by public or non-profit schools (5.18.200 C.1.), and sales and services by “non-profit schools and student organizations within the schools for extracurricular activities or events.” (5.18.200 A.9.)

Revision History:

Revision Number:

Reason for revision:

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Approved by:

Mike Navarre, Mayor

Date

5.18.200(A)(15)(d):

- d. Exemptions/waivers - Sales of nonprepared food items by sellers authorized to participate in the federal food stamp program and by convenience stores. Sales tax is prohibited on sales of nonprepared food items sold by sellers authorized to participate in the federal food stamp program and by convenience stores from September 1 until May 31 of each year. These food items exempted from sales tax include those which have been previously granted exemption in KPB 5.18.200(14) for food purchased with coupons issued under the federal food stamp program. "Convenience store" means a retail store that stocks a range of everyday items, such as groceries, snacks, and toiletries.