



Commonwealth of Virginia
Department of Taxation

NOTICE TO NONPROFIT ORGANIZATIONS

May 25, 2016

DEBORAH MCPHILLIPS
ALBEMARLE HIGH SCHOOL BAND BOOSTERS
1547 BROAD CROSSING RD.
CHARLOTTESVILLE, VA 22911-7480

RE: Policy Change Regarding Meals and Catering Purchases Made by Nonprofit Organizations

Dear Taxpayer:

There has been some confusion over the years regarding the application of the tax to purchases of prepared meals and catering by nonprofit organizations. The Department is changing its policy effective April 22, 2016, and will apply the new policy on a prospective basis. The Department will no longer deny an exemption from the Retail Sales and Use Tax on sales or purchases of meals, prepared food and catering on the basis that the meals, food and catering are taxable services. Rather, the Department will evaluate exemptions from the tax for these types of transactions based on whether the nonprofit organization claiming the exemption meets the use or consumption requirement of its respective exemption statute.

Our records indicate that a Virginia Retail Sales and Use Tax exemption was issued to you on **January 8, 2015**. The exemption certificate provides that the organization may purchase tangible personal property without paying the Virginia Retail Sales and Use tax. It also states that the exemption is not applicable to the purchase of taxable services, such as meals or lodging.

In order for a nonprofit organization making purchases of prepared meals and catering for consumption by individuals to satisfy the use or consumption requirement, the entity must establish that the provision of the prepared meals, catering, or services furthers an official function, mission, service or purpose of the nonprofit entity. Further, the charge for the food, meals, or catering must be billed to and paid for by the entity claiming the exemption with payment drawn from the entity's account, rather than using cash or an individual's account. Finally, the entity claiming the exemption must determine to whom, when, and how the meals or food are served and consumed.

The Department will not issue a new exemption certificate to your organization at this time. If your current exemption certificate is still valid, please provide the retailer with a copy of this letter, along with your exemption certificate when making purchases of meals, food or catering. The Department will issue a new exemption certificate to you when it is time to renew your exemption certificate. If you are unable to locate a copy of your exemption certificate, please contact our office and a copy will be mailed to you.

More information regarding the application of the Retail Sales and Use Tax to purchases of catering and other services related to the provision of food and meals by nonprofit organizations may be found in **Virginia Tax Bulletin 16-3**, available on-line at www.tax.virginia.gov in the Laws, Rules & Decisions section of the Department's website. If you have any questions regarding your Virginia sales and use tax exemption, you may contact the Virginia Department of Taxation Nonprofit Exemption Unit at (804) 371-4023 or P.O. Box 27125, Richmond, Virginia 23261-7125. You may also visit our website at www.tax.virginia.gov/nonprofit for additional information.

