



# MAINE REVENUE SERVICES SALES, FUEL & SPECIAL TAX DIVISION INSTRUCTIONAL BULLETIN 36

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## Exempt Organizations

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This bulletin is intended solely as advice to assist persons in determining, exercising or complying with their legal rights, duties or privileges. It contains general and specific information of interest as well as interpretations and determinations by Maine Revenue Services regarding issues commonly faced by your business. Portions of the Sales and Use Tax Law referred to in this bulletin can be found at the end of the bulletin in Attachment #1.

The Sales and Use Tax Law provides specific exemptions for a number of different kinds of organizations and institutions, such as hospitals, schools, churches and libraries. **The sales and use tax law does not provide that all entities that qualify as a tax-exempt organization by Internal Revenue Service standards (i.e. 501(c)(3)) are exempt from the Maine sales and use tax.** A specific exemption must exist within the sales and use tax statute for an organization to be exempt from this tax.

### 1. APPLICATION PROCESS

Entities that fall into one of the organizations identified in Attachment #2 must submit an application to Maine Revenue Services and provide the information and documents specified in the application. The requirements for exempt status vary depending on the particular exemption being applied for. The actual statutory provision must be reviewed in order to determine the specific criteria that must be met for each type of organization. Some organizations must be non-profit; some must be incorporated; some must be receiving funding from specific sources; some must be offering specific types of services, etc. Therefore different supporting documents are required to accompany the application form for each specific organization.

The completed application form must be submitted to Maine Revenue Services along with any other required supporting documentation. If the organization qualifies for a Maine sales tax exemption a permanent exemption certificate is issued in the name of the organization. If the organization does not qualify, a denial letter is issued. An organization may be asked to submit additional documents before a determination can be made.

## **2. USE OF PERMANENT EXEMPTION CERTIFICATE**

The exemption certificate may be used only to purchase items that will be used **exclusively** by the organization for the purposes for which it is organized. It may not be used by members, employees or clergy of the exempt organization to purchase items for their own personal use. It may not be used to purchase items for resale by the organization. No exempt organization may authorize an affiliated organization or contractor to use its exemption certificate (See Section 5 below for one exception). The exemption certificate may not be used to purchase items for use by the organization in activities that are primarily commercial enterprises, nor may it be used to make purchases for resale.

## **3. PURCHASES BY EXEMPT ORGANIZATIONS**

When an exempt organization receives the permanent exemption certificate it should initially make photocopies of the certificate. In order to make purchases exempt from Maine sale tax, the organization must complete the bottom part of the exemption certificate and give a completed copy to the vendor from whom it is purchasing. Therefore most organizations will need several blank copies of the certificate available.

When making a purchase for the organization one copy of the completed exemption certificate must be supplied to the vendor. Once a vendor has a copy of a completed exemption certificate on file for a qualifying organization it does not need to obtain a copy of the certificate for subsequent purchases.

Purchases made using this exemption certificate must be made and paid for directly by the exempt organization with a check, credit card or purchase order in the name of the exempt organization. A purchase cannot be paid for with cash unless it is accompanied by a purchase order in the name of the exempt organization. Purchases cannot be paid for by personal check or personal credit card.

## **4. SALES TO EXEMPT ORGANIZATIONS**

Invoices of sales made to exempt organizations must be appropriately marked to indicate that they are exempt sales. The words "Maine Sales Tax Exempt" and the purchaser's exemption number will satisfy this requirement. The seller must keep a copy of the purchaser's exemption certificate on file, but does not need to obtain a copy for each subsequent sales transaction.

Sales to employees or representatives of exempt organizations paid for by means of cash cannot be sold exempt from tax unless a purchase order in the name of the organization is presented by the person making the purchase. Personal checks or personal credit cards cannot be used when making exempt sales to employees or representatives of exempt organizations. In order to make exempt sales to employees or representatives of exempt organizations the transaction must be paid for by a check in the name of the organization, a

credit card in the name of the organization or by purchase order in the name of the organization.

## **5. SALES TO (OR PURCHASES BY) CONTRACTORS PERFORMING WORK FOR EXEMPT ORGANIZATIONS**

Contractors, both resident to Maine and from outside of Maine are often employed by Maine sales tax exempt organizations to perform work that results in additions to or incorporation into real estate. The Maine Sales and Use Tax Laws that apply to such contractors apply to both resident and non-resident contractors.

A contractor may purchase items exempt from Maine sales tax that will be **incorporated into the real estate** of exempt organizations. A Contractor's Exemption Certificate (ST-P-72) should be completed by the contractor and supplied to the vendor for these purchases. Whenever possible the Maine Sales Tax Exemption number of the exempt organization should be supplied on the Contractor's Exemption Certificate. It is not necessary to supply an exemption number for governmental agencies; in such cases the name of the governmental agency written on the Contractor's Exemption Certificate will be satisfactory.

Any other purchases made by the contractor for use on such a job are subject to the Maine sales/use tax. Such purchases include, but are not limited to: consumables; tools; supplies; equipment; equipment rentals; fuel; safety equipment; apparel; and temporary structures. **Any purchases made by the contractor that are not to be incorporated into the real estate owned by the Maine sales/use tax exempt organization are subject to the Maine tax.**

Out of state contractors that come into the State to perform such contracts would similarly be held accountable for any Maine sales/use tax on the cost of any tools, supplies or equipment that are purchased for use on these jobs. If such property is brought into Maine without having any Maine sales/use tax paid, then the contractor must register with Maine Revenue Services and report and remit any use taxes due. Any tools and/or equipment that have been previously owned and used by the out of state contractor for more than 12 months outside the State of Maine would not be subject to Maine sales/use tax.

## **6. VOUCHERS ISSUED BY EXEMPT ORGANIZATIONS**

Vouchers are often issued by charitable, exempt organizations to individuals incurring hardship or disasters of some sort. Vouchers are issued for such things as groceries, fuel, clothing, appliances, automobiles, etc. When vouchers are issued by exempt organizations to individuals for redemption at retail locations for taxable products, the vendors are required to impose the Maine sales tax when invoicing the exempt organizations. These sales are considered to be sales from the retailer to the individual who is actually redeeming the voucher; therefore, subject to the Maine tax. The Maine tax must be

collected, reported and remitted by the vendor for all such taxable sales; including those that are billed to governmental agencies. Sales which are made by the redemption of such vouchers are separate and distinguishable from sales made directly to the exempt organizations themselves.

## **7. SALES TO (OR PURCHASES BY) GOVERNMENTAL AGENCIES**

All sales to the federal government, the State of Maine and any county, city, town or municipality in the State of Maine are exempt from the Maine sales/use tax. Entities included in this category include: school districts; water, power, parking or other districts established by legislative act as quasi-municipal corporations; village corporations; and The Maine Turnpike Authority. Sales to other states or foreign countries or their subdivisions are not exempt from Maine sales or use tax. Sales to foreign diplomats living in this country while representing their foreign government are exempt.

Governmental agencies are not required to obtain a Maine Sales/Use Tax Exemption number. Sales made to governmental agencies exempt from Maine sales/use tax should be documented by listing the name of the governmental agency on the invoice or sales slip. A sale to a governmental agency cannot be paid for with cash unless it is accompanied by a purchase order in the name of the exempt governmental agency. Exempt sales cannot be paid for by personal check or personal credit card. Exempt sales must be made with a check, credit card or purchase order in the name of the exempt governmental agency.

Although governmental agencies are not required to obtain a Maine Sales/Use Tax Exemption number, Maine Revenue Services will issue such numbers to any agency that requests one. Many governmental agencies request that an exemption number be issued to them for the convenience of their vendors.

For more information on sales to or purchases by governmental agencies please refer to Rule 302.

## **8. SALES TO EMPLOYEES OF THE STATE OR FEDERAL GOVERNMENT**

Certain employees of the State or Federal government are issued specific credit cards which display the name of the employee and the governmental agency for which they are employed and these credit cards are billed to and paid for directly by the governmental agency. Sales that are paid for with these types of credit cards are exempt from the Maine sales/use tax. Below are some general guidelines offered by the federal government to assist in identifying these types of credit cards. These are general guidelines and more detailed inquiries should be forwarded directly to Maine Revenue Services.

## **Federal Employees**

The federal government has issued new credit cards for its employee purchases. The majority of the new cards will be direct-billed to the federal government and thus be exempt from tax. However, there will be cards that are billed to the employee, for later reimbursement, which are taxable sales. The following describes current cards and their tax status:

**Fleet card** - states "For Official Government Fleet Use Only"  
Purchases are centrally billed and exempt from sales tax

**Purchase card** - states "For Official US Government Purchases Only US Government Tax Exempt" Purchases are centrally billed and exempt from sales tax

**Travel Card** - states "For Official Government Travel Only"  
Purchases with cards which have a 0, 6, 7, 8 or 9 in the sixth digit are exempt.  
All others are taxable sales.

**Integrated card** - states "For Official Government Use Only"  
Fleet and purchase type transactions are exempt.  
Travel purchases are exempt if sixth digit is a 0, 6, 7, 8 or 9.

To view what these cards look like go to: [http://www.taxadmin.org/fta/rate/fed\\_cards.html](http://www.taxadmin.org/fta/rate/fed_cards.html)

## **State Employees**

As of April 1, 2003, the State of Maine only issues one credit card for employees to use that is billed directly to the State. This is a Mastercard that is issued by J. P. Morgan Chase. This card can only be used to procure goods and cannot be used for meals or lodging. Therefore any other type of credit card being used by Maine state employees would be subject to the Maine sales tax.

## **9. ADDITIONAL INFORMATION.**

The information in this bulletin addresses some of the more common questions regarding the Sales and Use Tax Law faced by your business. It is not intended to be all inclusive. Requests for information on specific situations should be in writing, should contain full information as to the transaction in question and should be directed to the:

**MAINE REVENUE SERVICES  
SALES, FUEL & SPECIAL TAX DIVISION  
P.O. BOX 1065  
AUGUSTA, ME 04332-1065  
TEL: (207) 624-9693  
TTY: (207) 287-4477**

Or visit our website at [www.maine.gov/revenue](http://www.maine.gov/revenue)

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## ATTACHMENT #1

### Excerpts taken from 36 M.R.S.A.

The following 2 exemption provisions have been taken from 36 M.R.S.A. These 2 provisions have been specifically listed here because the largest volume of exempt organizations fall within these 2 provisions. Since each type of exempt organization requires a separate statutory provision, they are too numerous to list in this document. Following, in Attachment #2, there is a comprehensive listing of all the types of organizations for which there is a sales tax exemption.

### **36 §1760. Exemptions**

**2. Certain governmental entities.** Sales to the State or any political subdivision, or to the Federal Government, or to any unincorporated agency or instrumentality of either of them or to any incorporated agency or instrumentality of them wholly owned by them. This exemption does not apply where title is held or taken as security for any financing arrangement. This exemption also does not apply to corporations organized under Title IV, Part E of the Farm Credit Act of 1971, 12 United States Code, Sections 2211 to 2214.

**16. Hospitals, research centers, churches and schools.** Sales to incorporated hospitals, incorporated nonprofit nursing homes licensed by the Department of Human Services, incorporated nonprofit residential care facilities licensed by the Department of Human Services, incorporated nonprofit home health agencies certified under the United States Social Security Act of 1965, Title XVIII, as amended, incorporated nonprofit rural community health centers engaged in, or providing facilities for, the delivery of comprehensive primary health care, incorporated nonprofit dental health centers, institutions incorporated as nonprofit corporations for the sole purpose of conducting medical research or for the purpose of establishing and maintaining laboratories for scientific study and investigation in the field of biology or ecology or operating educational television or radio stations, schools, incorporated nonprofit organizations or their affiliates whose purpose is to provide literacy assistance or free clinical assistance to children with dyslexia and regularly organized churches or houses of religious worship, excepting sales, storage or use in activities that are mainly commercial enterprises. "Schools" means incorporated nonstock educational institutions, including institutions empowered to confer educational, literary or academic degrees, that have a regular faculty, curriculum and organized body of pupils or students in attendance throughout the usual school year and that keep and furnish to students and others records required and accepted for entrance to schools of secondary, collegiate or graduate rank, no part of the net earnings of which inures to the benefit of any individual.

## ATTACHMENT #2

Following is a list of all types of organizations for which there is a sales tax exemption provision in the law. The list is organized by type of category. Following each type of organization is a number. This number represents the statutory provision under §1760 of 36 M.R.S.A. that sets forth the specific criteria for each exemption. To view the specific statutory language go to: <http://www.state.me.us/revenue/salesuse/exmptindex.html> and click on the specific organization.

### Medical – Healthcare

- Ambulance Services, 26
- Residential Care Facilities, 16
- Charitable Suppliers of Medical Equipment, 62
- Dental Health Centers, 16
- Dyslexia Assistance for Children, 16
- Eye Banks, 77
- Hearing–Impaired Services Organizations, 70
- Home Health Care Agencies, 16
- Hospice Organizations, 55
- Hospitals, 16
- Medical Research Institutions, 16
- Mental Health and Mental Retardation Facilities, 28
- Nursing Homes, 16
- Organizations Fulfilling the Wishes of Children with Life-threatening Diseases, 63
- Residential Facilities for Medical Patients and Families, 46
- Rural Community Health Centers, 16

### Educational

- Dyslexia Assistance for Children, 16
- Educational Television or Radio Stations, 16
- Historical Societies & Museums, 42
- Libraries, 50
- Literary Assistance Organizations, 16
- Maine Science and Technology Foundation, 68
- Nursery Schools, 43
- Providers of Support Systems for Single-Parent Families, 66
- Residential Youth Camps Providing Social Education Services, 59
- Schools, 16
- Scouting Organizations, 56

### Governmental

- Agencies of Government, 2
- Community Action Agencies, 49
- Fire Departments, 26
- Regional Planning Commissions and Councils of Government, 37

## Religious Affiliated Exempt Organizations

Churches, 16

Church Affiliated Residential Housing for Adults, 44

Monasteries and Convents, 65

## Child-Related Exemptions

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Child Abuse and Neglect Councils, 49

Day Care Centers, 43

Dyslexia Assistance for Children, 16

Nursery Schools, 43

Organizations Fulfilling the Wishes of Children with Life-threatening Diseases, 63

Residential Child Caring Institutions, 18A

Residential Facilities for Medical Patients and Families, 46

Residential Youth Camps Providing Social Education Services, 59

Schools, 16

Scouting Organizations, 56

## Other Nonprofit Incorporated Agencies

Animal Shelters, 60

Emergency Shelter and Feeding Organizations, 47A

Home Construction Organizations, 67

Veteran's Memorial Cemetery Associations, 51

Vietnam Veteran Registries, 69

Volunteer Search and Rescue Organizations, 53

State & Federal Credit Unions, 71

Nonprofit Housing Development Organizations, 72