



Date: July 28, 2021

To: School Fundraiser Administrators

From: Justin Nieman, Assistant Commissioner, Minnesota Department of Revenue

Fundraising Sales for Student Groups – Law Change

The Minnesota Department of Revenue is sending you this letter to update you on a change that may impact your sales tax obligations. During the 2021 legislative session, there was a change made to Minnesota Statute 297A.70, subdivision 13, restoring the fundraising exemption for school-associated student groups.

Minnesota Law

Starting July 1, 2021, fundraising sales made by school-associated student groups are exempt from sales tax, even when the money must be recorded as part of school district revenues, when the following apply:

- The sales are for fundraising purposes of a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports activities, educational activities, or other extracurricular activities.
- The school district reserves the revenue raised for extracurricular activities, as provided in Minnesota Statute 123B.49, subdivision 4(e), and spends the revenue raised by a particular extracurricular activity only for that extracurricular activity.

Any sales tax collected on taxable sales prior to July 1, 2021 should be reported on the sales and use tax return filed by the school or schooldistrict.

Exempt Sales

Under the exemption, school-associated student groups may sell items exempt from sales tax, when the conditions listed above are met.

Some examples of common sales that schools may use to raise funds for extracurricular activities include:

- Admission to recreational areas (see Admissions and Amusement Devices Industry Guide)
- Books
- Flowers
- Garage sales
- Gift wrap
- Greeting cards
- Mattresses
- Water bottles or coffee mugs
- Wreaths

The sales tax exemption to the student fundraising organization applies only to the first \$20,000 of the gross annual receipts of the student group from fundraising.

Other Fundraising Exemptions

Schools may sell the following items exempt from sales tax:

- Candy – a separate exemption applies to sales of candy and gum when sold for fundraising purposes by school groups (Minnesota Statute 297A.70, subdivision 13(a)(4))
- Clothing – such as bandanas, hats, scarves, and t-shirts are not subject to sales tax
- Coupon books – sales of coupon books, discount cards, or punch cards are not taxable
- Food items – such as bread, nuts, popcorn are not subject to sales tax as long as the food items are pre-packaged and not made by the seller

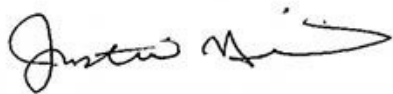
There are also exemptions specific to schools. These exemptions are for:

- Prepared food, candy, and soft drinks served at public or private elementary, middle, or secondary school (Minnesota Statute 297A.67, subdivision 5). Examples include: spaghetti feed or pancake breakfast as long as they are served on school premises.
- Tickets or admissions to regular season school games, events, and activities (Minnesota Statute 297A.70, subdivision 11)
- Tickets and admissions to games, events, and activities sponsored by the Minnesota State High School League (Minnesota Statute 297A.70, subdivision 11a)

For more information on fundraising activities, go to our website at www.revenue.state.mn.us and type **fundraising sales** into the Search box.

Email us at salesuse.tech@state.mn.us if you have questions or need additional assistance with this matter, please contact the Sales & Use Tax Division at 800-657-3777 or salesuse.tech@state.mn.us.

Sincerely,



Justin Nieman
Assistant Commissioner
Minnesota Department of Revenue

CC: Gina Amacher, Director, Sales & Use Tax Division