

NON-PROFIT ORGANIZATIONS

The Arizona Department of Revenue (“department”) offers online assistance and filing of your business taxes. To file your taxes online or to register to use the website, go to www.AZTaxes.gov.

This publication provides general information about the Arizona tax status of Non-Profit Organizations. Arizona imposes Transaction Privilege Tax (“TPT”) on sixteen separate business classifications. These laws are found in Arizona Revised Statutes, Title 42, Chapter 5 and Arizona Administrative Code, Title 15, Chapter 5. (Links to access these laws are available at www.azdor.gov.) In case of inconsistency, error, or omission in this publication, the language of the Arizona Revised Statutes and the Arizona Administrative Code will prevail.

What is a Tax Exempt Organization?

Organizations may be exempt from one or more types of tax. Exemptions exist for federal and state income tax, property tax, state or city transaction privilege tax, county excise tax, state or city use tax, or any combination of these taxes. **Please note that because an entity is exempt from one type of tax does not mean it is exempt from all taxes.**

Federal Income Tax Exemption

Non-profit organizations may be exempt from federal and Arizona income tax after applying to the Internal Revenue Service (IRS) and receiving a “Letter of Determination” which grants this status. Generally, it is unnecessary to apply to the department for a letter confirming exemption from state income tax. Contact the IRS for information about obtaining exemption from federal income tax.

Property Tax Exemption

The governmental or charitable organizations listed in Arizona Revised Statutes may be exempt from property taxes with the approval of the appropriate county assessor. Contact your local county assessor for more information concerning this exemption.

Transaction Privilege Tax Exemption

Arizona does not provide an overall exemption from TPT and use tax for nonprofit organizations. Generally, sales made to churches, schools and other non-profit organizations are subject to TPT and use tax. Arizona tax law does provide that certain specifically delineated organizations are exempt from TPT under some business classifications. The following types of transactions are not subject to the state’s TPT. (Cities impose their taxes separately from the state. Contact the cities for information about exemptions from city privilege and use taxes.)

1. Tangible personal property sold or leased to *qualifying health care organizations* as defined by Arizona Revised Statutes if the tangible personal property is used solely to provide health and medical related educational and charitable services or if the organization is dedicated to providing certain services to handicapped children. The health care organization must apply to the department annually for a letter of exemption. (See Pub 500)
2. Tangible personal property sold or leased to *qualifying hospitals* as defined by Arizona Revised Statutes. The qualifying hospital must apply to the department annually for a letter of exemption. (See Pub 500)
3. Tangible personal property sold or leased to a *qualifying community health center* as defined by Arizona Revised Statutes. The qualifying community health center must apply to the department annually for a letter of exemption. (See Pub 500)
4. Tangible personal property sold or leased to a non-profit §501(c)(3) organization that regularly serves free meals to the needy or indigent on a continuing basis. The department does not issue an exemption letter for this exemption. A letter, however, that addresses the applicability of this exemption to the specific organization may be obtained from the department. (See Transaction Privilege Tax Ruling (TPR) 00-4)
5. Tangible personal property sold or leased in this state to a non-profit charitable §501(c)(3) organization that uses such property exclusively for training, job placement, or rehabilitation programs or testing for mentally or physically handicapped persons.
6. Retail sales made by a non-profit charitable §501(c)(3) organization that is recognized by the IRS as a non-profit charitable organization. (This pertains to sales by the organization, not purchases.)
7. Retail sales by certain non-profit organizations associated with a national touring professional golfing association or a major league baseball team.
8. Retail sales by certain non-profit organizations sponsoring, operating or conducting a rodeo that primarily features farm and ranch animals.
9. Retail sales and amusement activities by certain §501(c)(6) organizations that produce, organize, or promote cultural or civic related festivals or events.
10. Sales of food and drink for fund raising by churches, lodges and other non-profit organizations not regularly engaged in the restaurant business.

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11. Sales of food or drink prepared for consumption on the premises of any veteran's service organization chartered by Congress, including auxiliary units.
12. Sales of food or drink to qualifying hospitals or qualified health care institutions.
13. Leasing or renting of real property for use primarily for religious worship to a non-profit organization that qualifies under §501(c)(3) of the United States Internal Revenue Code.

FOR ADDITIONAL INFORMATION:

~ **Call** ~

(602) 255-3381

Toll-free within AZ: 1-800-352-4090

~ **Write** ~

Arizona Department of Revenue
Taxpayer Information & Assistance
PO Box 29086
Phoenix AZ 85038-9086

~ **Browse** ~

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