

# Quick Tips on Fundraising with Texas 4-H Clubs and State Tax



Every year, the Texas 4-H Program receives questions on state taxes and how it relates to 4-H clubs/groups. Here are some quick tips and responses to the most frequently asked questions regarding this topic.

## **What does an individual 4-H club need to do to fundraise?**

Each club must be chartered and approved by the Texas 4-H Office as an official chartered 4-H club. They would also have to have an EIN and a bank account that follows the cash management practices set forth by Texas 4-H.

## **Can individual 4-H clubs raise funds?**

Yes.

## **How many fundraisers (does not include raffles) can individual 4-H clubs have?**

Individual 4-H clubs can have as many fundraisers as they wish. Keep in mind that only two are state tax exempt. So, if you are selling a taxable product as a fundraiser, the club will have to pay sales tax on the products sold.

## **What are Tax Free Sales Days?**

In Texas, a 501c3 group, or charitable/educational/religious organization may:

- Hold 2 tax-free sales days, with each day 24 consecutive hours only
- Can be back-to-back days for 48 hours
- Must be designated tax-free in advance of the fundraiser
- Must notify customers of tax-free sale.

## **Are Texas 4-H Clubs exempt from paying sales tax?**

No, not automatically.

## **Can individual Texas 4-H Clubs apply for state sales tax exemption?**

Yes, individual clubs can do so. Here is a link to help clubs decide if they want to do so.

- <http://texas4-h.tamu.edu/wp-content/uploads/Exempt-Organizations.pdf>

## **Can Texas 4-H Inc secure a blanket tax exemption?**

No. Not at this time. In previous conversations, we have opted not to do this because of the wide variation of fundraisers conducted in the over 2,100 Texas 4-H clubs.

## **Can an individual 4-H club have a raffle?**

Raffles and other games of chance are legal methods of raising funds for non-profits in Texas. According to the Attorney General's website, here is how clubs should handle 4-H clubs. The Charitable Raffle Enabling Act, effective January 1, 1990, permits "qualified organizations" to hold up to two raffles per calendar year, with certain specified restrictions.

A raffle is defined as the award of one or more prizes by chance at a single occasion among a single pool or group of persons who have paid or promised a thing of value for a ticket that represents a chance to win a prize. There are some notable restrictions:

- A qualified organization may hold only two raffles per calendar year and only one raffle at a time.
- Raffle tickets may not be advertised statewide or through paid advertisements. Each raffle ticket must state: 1) the name of the organization conducting the raffle; 2) the address of the organization or of a named officer of the organization; 3) the ticket price; 4) a general description of each prize having a value of more than \$10; and 5) the date on which the raffle prize(s) will be awarded.
- No one may be compensated directly or indirectly for organizing or conducting a raffle or for selling raffle tickets.

## **If I purchase something online from an out-of-state vendor, do I have to pay sales tax?**

Purchases made online may or may not be subject to sales tax depending on the laws of that state and e-commerce. However, if you are assessed sales tax, the expectation would be to pay it.

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