



Summary of Governor Ventura's Tax Reform Proposal: Impact on Nonprofits

This document summarizes those tax reform proposals in the Governor's tax plan that have a direct impact on nonprofits. An overview of the Governor's total tax reform plan is available from the Minnesota Budget Project at www.mncn.org/bp/gov0203.htm.

Current Law	Governor's Original Reform Proposal	Governor's Revised Proposal (updated to February 2001 Forecast)
Nonprofits meeting the definition of "purely public charity" are exempt from the property tax. (Schools, places of worship, and hospitals are also exempt, but through a different provision).	Cities would have the option to levy a "local option public safety fee" on nonprofits that are exempt from the property tax as public charities (schools, hospitals, and religious sanctuaries would not be affected). This service fee would be calculated by the following formula: property value X 1.5% class rate X the city tax rate X the percentage of the city's expenditures that go for public safety.	No change from current law – no local option public safety service fee.
Nonprofits must collect the sales tax on those goods and services they sell if those goods and services are taxable. Exemptions to this rule include ticket sales to arts events, memberships at YMCAs, YWCAs, and Jewish Community Centers.	Eliminate special exemptions from the sales tax ticket sales to arts events, memberships at YMCAs, YWCAs, and JCCs.	No change from current law – keep existing exemptions.

<p>Fundraising sales by nonprofits are generally not taxable, unless the selling takes place more than 24 days during a year. Certain fundraising sales by youth and senior groups (that do not fall under the nonprofit fundraising guidelines) are exempt as long as the gross annual receipts are under \$10,000. If over \$10,000, sales tax is due on the entire amount raised.</p>	<p>Tax fundraising sales by nonprofits or youth and senior groups if the gross annual receipts are over \$25,000.</p>	<p>For youth and senior groups, the first \$10,000 of annual gross receipts on fundraising is exempt from the sales tax. No change from current law for nonprofit fundraising.</p>
<p>501(c)3 nonprofits that are religious, charitable, or educational organizations may apply for an exemption from paying the sales tax on services.</p>	<p>Eliminate the current application process for sales tax exemption certificates and extend exemption to all 501(c)3 organizations.</p>	<p>No change from current law.</p>
<p>Nonprofits who are exempt from paying sales tax on purchases must still pay the sales tax on meals, lodging, motor vehicles (with the exclusion of certain larger vehicles), construction materials, and gambling equipment.</p>	<p>Eliminate payments of sales tax on all purchases by exempt entities.</p>	<p>No change from current law.</p>