

California Sales Tax on Auction Items, Special Event Tickets and Raffles

Advancement Services Training
Laura Lopez, Senior Gift Processor
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Overview of Training

- CA Sales tax:
 - California Board of Equalization Publication 18
 - Current CA sales tax
 - Auction items
 - Special event tickets
 - Forms required to book proceeds from auctions and ticket sales in AWA(Advance)
 - Requirement of Insurance for special events
- Raffles



Introduction

- **Why this training?**
 - To be prepared for planned events for Colleges and Departments.
 - Example: Taste of the Bay, Personalized medicine, Anniversary commemoration.
 - To be prepared for any events that coincide with Graduation.
 - The importance of obtaining insurance is to protect the University from any liability during an event.



California Sales Tax

- Publication 18 from the California Board of Equalization states:
 - In general, the amount you receive in exchange for merchandise is taxable.
 - This is true whether a person pays you by cash or another method, or offers you something in barter or trade.
 - In general, the taxable amount is the price you set and receive for the item.
 - However, in case of auctions and silent auctions, the full amount you receive is taxable, regardless of the item's value.

California Sales Tax

- Sales tax generally applies regardless of whether the items you sell or purchase are new, used, donated or homemade.
- Sales tax is required to be added to the final auction bid price paid and it is suggested that signage, or an indication, discloses that sales tax will be added.
- Current SF sales tax rate is 8.75% (e.g. \$100 bid would pay \$108.75).



Activities That Do Not Require Sales Tax

- Sales of tickets for concerts, movies, plays, shows and similar events when food and meals are not included in the ticket prices.
- The sale of travel, home rentals, guide services, tutoring and other things of value that are not physical products.
- Sales of gift cards, gift certificates and coupon books.
- Sales of advertising that does not involve exchanges of merchandise or goods.



Auctions

- The following documentation should be provided to the Advancement Services Department in ADM 154C for processing and acknowledgement purposes:
 - ❑ [Gift-in-Kind Acceptance Form](#)
 - ❑ [Donor Intent Form](#)
 - ❑ [Auction Sales Form](#)

Advancement Services Forms Page

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Advancement Services & Operations {University Advancement}

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Forms

Many functions performed by Advancement Services and Operations require specific sets of information; the forms below were developed to streamline processes and reduce the need for repeated communication, so please complete them in full before submitting them.

For accessibility assistance with these documents, please email develop@sfsu.edu or call (415) 405-3820. Download Adobe Acrobat Reader. Download Microsoft Word viewer.

Advancement Services forms

- Gift Acceptance Form
- Gift in Kind Donation forms:
 - [Gift in Kind Acceptance Form](#)
 - [Donor Intent Form](#)
- [Auction Sales Form](#)
- Wire Transfer Forms:
 - Gifts to San Francisco State University may be made by wire transfer. To make a gift via wire transfer and obtain the appropriate forms with ABA routing numbers and account information, please contact the Office of University Development at (415) 338-1042 or email develop@sfsu.edu
 - For a list of Development staff for additional information, please visit the [University Development Staff Directory](#)
- Stock/Securities Transfer Forms:
 - For stock and securities transfer forms, please contact the Office of University Development at (415) 338-1042 or email develop@sfsu.edu
 - For a list of Development staff, visit the [University Development Staff Directory](#)
- Report Label Count Request Form
- Online Change of Address (University Development)
- Payroll Deduction (SF State employee)



Fair Market Value

- A fair market value of each auction item has to be publicly disclosed to all attending or bidding.
- If the winning bid is more than the fair market value, the winner may claim a deduction (and SF State may count as a gift) for any amount paid in excess of the fair market value.
- If an item is listed as “priceless” then the winning bid is the fair market value of the item.

Sales Tax on Special Event Tickets

- If you charge a single payment for a fundraising event involving taxable sales, the entire ticket charge will be taxable unless you do both of the following:
 - List the taxable charges separately on the event tickets
 - Keep separate records of taxable and nontaxable charges

Special Events

- Example: You hold a fundraising dinner where the \$75 ticket price includes dinner and drinks (which are taxable) and entertainment (which is not taxable).
- If your tickets list only one price, that full amount is taxable.
- However, if the tickets state “Ticket price includes \$35 for dinner and drinks” and your event income records reflect this break-down, tax would apply only to the \$35 charge for dinner and drinks.



Meal Service

- If your organization contracts with a vendor to serve the meals at your event, you are not responsible for paying tax on your ticket sales.
 - Instead, the business that serves the meals must report the sale of the meals and pay the tax due, based on the amount they charge you.
- If your organization serves the meals at your event, you are liable for the tax.
 - This is true whether the meals are furnished by members of your organization, purchased or donated to you.
 - Tax is due based on the ticket price for the meal.



Refreshments

- If your tickets do not mention refreshments and you serve only an insignificant amount of food or drink at your event, your ticket sales are not taxable.

Fundraising Revenue

- A College/Department that conducts a fundraising event should determine the cost of food and beverages and notify the Office of University Development (Directors of Development) with the amount as well as the account the ticket proceeds should be deposited to.
- The cost of the meal will be deposited as *Fundraising Revenue.*
- Any amount that exceeds the cost of the meal will be deposited as a *Donation.*



Sponsorships

- **Not all sponsorships are considered donations.** If a corporation or another organization receives recognition that constitutes advertising, which the IRS defines as displaying competitive pricing or product information, then their contribution will not count as a donation. They will still receive an acknowledgement letter thanking them for their sponsorship but all tax information will be omitted from the letter.
- For sponsorships that are counted as donations, we will need to know the number of table seats provided as part of a sponsorship in order to properly split the payment between Fundraising Revenue and Donation.



Ticket Payment Online Page

- A College/Department that hosts a fundraising event may contact the Director of Special Events in Alumni Relations to set up a special ticket payment page so invitees/attendees can make their payments for the event online.
- The Director of Special Events can be contacted by email at alumni@sfsu.edu or by phone at 415-405-4078.



Special Event Insurance

- For all on-campus and off-campus events, the College/Department should acquire Special Event Insurance from The University Corporation, SF State (U Corp). This ensures appropriate coverage is in place, risk is mitigated and all parties (including but not limited to SF State, the U Corp, attendees, etc.) are covered accordingly.
- For questions regarding Special Event Insurance, please contact Anthony Victoria at avictori@sfsu.edu or 415-338-2238.



Raffles

Raffles are also known as an “opportunity drawings” and are a scheme for the distribution of prizes by chance among persons who have paid money for paper tickets that provide the opportunity to win these prizes. Each ticket is sold with a detachable coupon or stub, and both the ticket and its associated coupon or stub are marked with a unique and matching identifier.

The University Corporation/San Francisco State University is now officially registered with the CA Dept. of Justice and authorized to conduct raffles in the State of CA.

- Every year, UCorp will need to submit a Nonprofit Raffle Report (CT-NRP-2) on October 1.
 - Contains total aggregate revenue details on all the raffles held by the University between September 1, 2015 and August 31, 2016.
 - Next reporting phase begins Sept. 1, 2016 – October 1, 2017.



How Raffle Reporting Affects You

- All staff and college & department reps involved in raffles are responsible for reporting all gross receipts, which fundraiser the raffle was part of, total cost/expense associated with the raffle, whether the raffle grossed over \$5,000, etc.
- If an organization gives away raffle tickets, registration (or reporting) **is not required** if all tickets for a drawing are free, solicitations of voluntary donations to the organization are in no way connected to distribution of tickets, and this is made clear to all participants. If a "donation" is required in return for a ticket, registration/reporting is required.
- Student Organizations are **not authorized** to hold raffles so the raffle reporting rules would not apply. They can do a prize drawing or giveaway but cannot sell tickets to a raffle.
- Raffle receipts and expenses need to be documented so please give your department event coordinators a heads up that this is required for raffles from now on.



Raffle Reporting Procedures

- Within 3-5 business days of any University fundraiser raffle event, event coordinators please send the following information to Kathleen Bruno (Ucorp) at kbruno@sfsu.edu /ext. 87920:
 - What fundraiser the raffle was a part of including date, location, etc.
 - Whether that fundraiser raised more than \$5,000
 - Gross \$ receipts of the raffle
 - What fund raffle proceeds were deposited into
 - Were funds from sources other than ticket sales used for the administration or other costs of conducting the raffle? If so:
 - ❖ Source of funds
 - Contact information for person in charge of raffle department rep or coordinator (in case UCorp has any questions).
- There is a raffle reporting [form](#) on the Ucorp site.



Raffle Rules and Regulations

University fundraising event plans must ensure that any raffle activity must adhere to the following rules:

1. Ninety percent of raffle revenue must be used for a charitable purpose or program. 50/50 drawings are illegal under California law.
2. The raffle must be conducted under the supervision of an individual who is 18 years of age or older.
3. Raffles may be advertised on the internet under specific rules but **tickets may not be sold via the internet.**
4. Only nonprofit organizations that have been in existence for a year or more are eligible to conduct raffles.

Organizers should be aware that **payments received for the purchase of raffle tickets are not eligible for a charitable tax deduction.** The purchaser has received in return the benefit of a “chance to win.”



Raffle Prize Donations

- If a donor provides a Gift-in-Kind donation for use as a raffle prize, the Advancement Gift Processing Team will need to have the following documented:
 - A letter or message from the donor stating the exact intent of their donation and making it clear that they are relinquishing ownership of said item(s).
 - If this is not available, then the donor should complete a [Donor Intent Form](#) & event coordinators should submit to the Gift Processing Team (Irina Krasnitskaya, Laura Lopez or Michael Athey) in ADM 154C
 - Person receiving the Gift-in-Kind on behalf of the University will need to complete the [Gift-In-Kind Acceptance Form](#) and submit to the Gift Processing Team (Irina Krasnitskaya, Laura Lopez or Michael Athey) in ADM 154C.
 - Both forms are located on the University Advancement Forms page: <http://advservices.sfsu.edu/content/forms>



Upcoming Advancement Services Trainings

- IT Technology Updates and Training
 - Friday, September 30, 2016 – 11:00AM-12:00PM
 - Library Room 242
- Pledge Policy Overview
 - Friday, October 21, 2016 – 11:00AM-12:00PM
 - Library Room 244
- End of Year Gift Processing
 - Friday, December 9, 2016 – 11:00AM – 12:00PM
 - Library Room 244

Questions?

- For questions regarding this training, please contact Laura Lopez, Senior Gift Processor, at lvlopez@sfsu.edu or 415-405-3967.

