

Overview of the current tax treatment of meals sold by a religious or charitable nonprofit

Meals sold *on the premises* of a religious or charitable nonprofit:

Meals are exempt from tax when sold by a religious or charitable nonprofit when the following conditions are met:

- The nonprofit must be organized and operated exclusively for religious or charitable purposes
- The sale of the meals must be in furtherance of any of the purposes for which the nonprofit was organized
- The net proceeds of the sales of meals or beverages must be used exclusively for the purposes of the corporation or association

Meals sold by a religious or charitable nonprofit *off premises*:

Meals are exempt from tax when the following conditions are met:

- No more than four such events of a day's duration per calendar year
- Sales are not made by an organization otherwise required to have a meals and rooms registration license

Note: It is inconsistent that the language around the off-premises exemption does not similarly discuss the organization's charitable purpose and use of proceeds. Practically speaking, a non-profit making sales that are not going towards its charitable purpose would have other issues to navigate, such as corporate income tax on unrelated business income, or a potential loss of nonprofit status.

Statutory language summarized above:

32 V.S.A. § 9202 (10)(D)(ii)

"Taxable meal" shall not include food or beverage:

(I) served or furnished on the premises of a nonprofit corporation or association organized and operated exclusively for religious or charitable purposes, in furtherance of any of the purposes for which it was organized; with the net proceeds of the food or beverage to be used exclusively for the purposes of the corporation or association;

(VII) sold by nonprofit organizations at bazaars, fairs, picnics, church suppers, or similar events to the extent of four such events of a day's duration, held during any calendar year; provided, however, where sales are made at such events by an organization required to have a meals and rooms registration license or otherwise required to have a license because its selling events are in excess of the number permitted, the sale of such food or beverage shall constitute sales made in the regular course of business and are not exempted from the Vermont meals and rooms gross receipts tax;