

## **Are Iowa nonprofits exempt from sales tax?**

No, the general rule is that nonprofits are not exempt from sales tax. Nonprofits that are exempt from federal income tax under 501(c)(3) are automatically exempt from parallel state income tax but not automatically exempt from other state level taxes such as sales, use, and property taxes. See the [Corporations as Governmental Units](#) section of the Iowa Department of Revenue's Iowa Tax Issues for Nonprofit Entities web page.

However, there are some circumstances in which there can be exemption from sales tax. There are rules applicable to all business, for profit or nonprofit, such as purchase for resale, which makes the transaction exempt from sales tax. In order to get exemption from the sales tax when purchasing, the vendor must receive a [sales tax exemption certificate](#), available online.

[Instructions](#) on filling out the sales tax exemption certificate are also available.

The sales tax issue comes up for nonprofits not just on the purchase side, but also on the selling side. If nonprofits are making sales of material that is subject to sales tax, the nonprofit must collect the tax and file a return. The [Iowa Sales/Retailer's Use Tax and Surcharge Return](#) is available online.

Sales made by nonprofits in which proceeds are used for educational, religious or charitable activities can be exempt from collection of sales tax. For sales tax exemption law, see Iowa Code section 422.45