STATE RETAIL SALES TAXES AND NONPROFIT ORGANIZATIONS: PROGRAMS WITHOUT POLICY

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Nonprofit organizations provide significant services to American society. Their role is important in operation of hospitals and educational institutions, in provision of assistance to children, the elderly, and other vulnerable populations, in provision of religious support and guidance, in support of cultural activities, and so on. Their numbers are significant and increasing. The IRS master file of exempt organizations exceeded 1.128 million in fiscal 2007 – and the roughly 350,000 religious congregations are not required to file with the IRS and roughly half of these have not chosen to do so. Private partnerships and various forms of corporations filed 9.704 million returns in 2007 so these nonprofit organizations do represent a relatively large number among entities providing services to the public. Their numbers are growing robustly: the average annual rate was 5.0 percent from 1997 to 2007, compared with a rate of 3.43 percent for returns from the private businesses previously noted (U.S. Department of the Treasury, selected years).

As Brody and Cordes (2006) point out, charitable organizations "have long enjoyed a special relationship with the tax collector." (p. 141) That relationship is tax exemption. As state and local governments struggle for revenue, it is not surprising that taxes not paid by nonprofit organizations fall under scrutiny. The question is whether this special relationship should continue in the face of fiscal problems that may constrain the provision of government services. As Brody (2002) observes, "…to question the nonprofit tax exemption is not to question the value of nonprofits themselves." (p. 145) The question is whether a different format for assistance would be more appropriate, whether the exemption creates undesirable economic distortions and bias against other organizational formats, whether exemptions are reasonably designed, and whether the revenue lost by the exemption is reasonable. In difficult fiscal conditions, this last concern is particularly important. This is an opportune time to consider whether the sales tax treatment of nonprofit organizations makes sense within the standard principles for structure of state retail sales taxes.

Bowman and Fremont-Smith (2006, p. 207) estimated lost state and local tax revenue in 2001 to be from $9 to 15 billion for the property tax not paid on property held by nonprofit organizations, $2.5 billion from the sales tax not paid on nonprofit organization purchases, and $3.8 – 4 billion for corporate income tax not paid by these organizations. While the losses total only 2 percent of total state and local tax revenue in that year, their revenue impact is not equally distributed across jurisdictions and the tax saving varies across services with possible discrimination against nonexempt providers being more significant in some business service areas than other.

Analysis of these exemptions has focused on income and property tax provisions, with considerably less attention given to their treatment by sales taxes, because of the relative amounts of likely revenue loss.[1]

Nevertheless, the sales tax exemption merits attention. First, the potential revenue is not insignificant and fiscal battles are fought over much less than $3 billion per year. Second, the sales tax is an obvious wedge between nonprofit and proprietary firms. Questions of competitive balance between nonprofit and proprietary firms remain unresolved and balance matters both in regard to what entities purchase and in regard to what entities sell (to the extent that the nonprofit is involved in commercial or quasi-commercial activities). And third, possibly most importantly, for many nonprofit organizations, the sales tax exemption of purchases amounts to more money saved than does the property tax exemption: with commercial property tax rates typically in the range from 1.6 to 2.5 percent and a growing number of jurisdictions with combined state and local retail sales tax rates of 8 to 10 percent, it is clear why this is true.[2] Unless the value of potentially taxable property (mostly real estate) owned by the nonprofit is more than 3 to 4 times the value of potentially taxable purchases (supplies, utilities, materials, etc.), the sales tax potential will be larger and, as more governments do a sales tax for property tax switch to constrain property tax rates, the number of nonprofits who find the sales tax exemption to be more significant will increase. For these reasons, this consideration of sales tax treatment of nonprofit organizations fills an important niche for sales tax policy. It becomes even more important if states and localities more aggressively expand their sales tax bases to include sales of services, the source of considerable revenue to many nonprofit organizations. It would be desirable if state and local actions made sense within accepted standards for tax policy, in other words, that they did not interfere with market allocations of resources, did not involve excessively high additional cost of administering or complying with the tax, provided high transparency in operation of the tax, did not needlessly reduce productivity of the tax system, and provided for what is judged to be a fair distribution of tax burdens.

EXEMPTING NONPROFIT ORGANIZATIONS

How nonprofit organizations should be treated by sales taxes has been considered far less frequently than has their treatment by income and property taxes.[3] Most discussions of tax preferences have been general or have explicitly focused on income or property taxes, so their application to sales taxation must usually be by logical extension. There are four logical strands in the analysis of why nonprofits should enjoy tax exempt status.

First, Brody (2002) points out that a considerable force for exemption is inertia: "We have always done it this way." (p. 146) The relationship is no longer particularly based on thought and reason. It is there primarily because that relationship is the one that has emerged from the past. However, as Brody observes, legislatures could revise the structures (and states do, in fact, make changes in the workings and limits of sales tax treatment of nonprofit organizations and the federal government periodically examines possible abuses by nonprofit organizations), so it is important to move beyond this point in considering the tax relationship between governments and nonprofit organizations.

Second, it has been argued in regard to income taxation that the operations of nonprofit organizations simply do not belong in the tax base. Bittker and Rahdert (1976) "argue that nonprofit organizations engaged in 'public service' activities, broadly conceived should be wholly exempted from income taxation, because they do not realize 'income' in the ordinary sense of the term and because, even if they did, there is no satisfactory way to fit the tax rate to the ability of the beneficiaries to pay." (p. 305) The exclusion of any income earned by a nonprofit organization is part of the normal structure of the income tax and would not even be considered a tax expenditure – it just isn't part of the tax base by definition. However, this argument does not extend to the treatment of nonprofits by sales taxes. Nonprofits would be purchasing the same inputs in the same markets as proprietary firms and, to the extent they sell goods or services that would otherwise be taxable, those sales would ordinarily not be distinguishable from comparable sales by proprietary firms. While one may argue that nonprofit organization income does not count on the same basis as income of a proprietary firm, that argument would not be sustainable in regard to retail sales taxes.

Third, it is argued that nonprofit organizations, by their mission, ought to receive the government subsidy that exemption provides. Nonprofit organizations serve public functions, thereby reducing the need for government spending in the provision of services that otherwise would require public financing. As Hyman (1990) summarizes, "By relieving a portion of the governmental burden, the exempt organization earns its exemption." (p. 357) It is also argued that nonprofit organizations deliver certain programs or approaches that benefit the community, in terms of community involvement, pluralism, accountability and responsiveness, and public spiritedness that are not available through either government or proprietary entities. That work deserves support through tax exemption. In other words, the organizations receive tax exemption as a mechanism for subsidizing the contribution that they make for society, when both markets and government fail to adequately provide services, an argument that would apply to all taxes.[4] Brody (2002) nicely sums it up in regard to the property tax exemption, although the argument is equally applicable to all exemptions: "For all its imprecision, tax exemption keeps government out of the charities' day-to-day business, and keeps charity out of the business of petitioning government for subvention." (p. 146) While the magnitude of the implicit subsidy is not transparent and not controlled through an appropriation process, it is a subsidy that is provided at modest transaction cost, including all costs of deliberation, delivery, and administration.[5]

And, finally, it has been argued that nonprofit organizations would be difficult to tax. As previously noted, nonprofit organization income could be difficult to measure on a standard fully comparable to that used for proprietary firms. Many nonprofit managers lack skills appropriate to sophisticated tax compliance. However, this difficult argument makes sense only to the extent that the nonprofit organization is directly involved in compliance. That certainly is not the case for real property taxation, where most of the work is done by government agents rather than the property owner, and is less the case for sales taxation of nonprofit purchases, where collection and payment is usually the responsibility of the vendor rather than the buyer.[6] The only place that the argument might hold is in regard to taxability of sales by a nonprofit organization—the compliance requirements for the sales tax might be excessive for small nonprofits or nonprofits making few taxable sales. In neither of these instances would nonprofits be particularly different from smaller proprietary firms, however, so the case for special treatment even here is not compelling.

The primary argument for sales tax exemption for nonprofit organizations therefore hinges on a desire to subsidize the activities of the organization, presumably because the organization provides a service that would otherwise be underprovided. It is a tax expenditure argument: ultimately, it reflects the judgment that customers / beneficiaries of the nonprofit organization should receive a subsidy.

The argument against exemption focuses on competition. As Hyman points out, "Tax subsidies are not costless. They distort the market, they place a greater burden on non-exempt taxpayers, and they reflect a judgment that the conduct is worth encouraging." (Hyman, 1990, p. 380) When a nonprofit organization provides services comparable to those offered by a proprietary firm, it has a potential competitive advantage over that firm. Whether the advantage is unfair or not ultimately depends on whether the nonprofit provides a service with external benefits – possibly service quality assurance from providers not driven by the profit motive or service to disadvantaged populations – and whether the extent of that benefit is consistent with the revenue lost from the exemption. But the strength of this defense declines as commercial nonprofits, those collecting most of their revenue from sales rather than donations, increase in significance and as their services become virtually indistinguishable from those provided by proprietary firms. Subsidies can correct market failures, but if proprietary firms are in the market with nonprofit organizations, it is more difficult to argue for the subsidy on the basis of market failure and to argue that only the nonprofit organization merits the subsidy.

The implication of the argument against tax exemption is that public subsidies should be more transparently provided and should be driven by the end services provided by the entity, public, proprietary, or nonprofit, not the organizational structure of the entity. The beneficial outcome, not the organization structure of the producer, should drive subsidy policy, including subsidy delivered via the tax system.

SALES TAX TREATMENT OF NONPROFIT ORGANIZATION: AN OVERVIEW

Nonprofit organizations may be exempt from sales tax on their purchases or from the requirement that they collect tax on their sales. In both instances, it is likely that the organization, if liable for the tax, would act as a conduit of actual tax burden to patrons by adjusting prices or levels of service to them in reaction to the tax, much as we expect proprietary firms to adjust to excise taxes by changing their operations to leave themselves in the best after tax position. The difference is that the tax consequences for the proprietary firm may reduce return to its owners. Because nonprofits may not enrich owners or those closely associated with its operations, that burden would presumably be out of the question for them. There is no known formal incidence theory applicable to nonprofit organizations, but it will be presumed here than any sales tax paid or collected by a nonprofit would be primarily borne by those served by the organization through higher prices paid (if any) or reduced services.

States differ in the way in which nonprofit organizations are treated by their sales taxes. The beginning point for the exemption programs is registration with the state for exempt nonprofit status. Hyman (1990) observes: "As a practical matter, all of the states uses the federal exemption statute, section 501(c)(3) of the Internal Revenue Code, as the starting point for their tax exemption statute." (p. 331) However, not all states provide sales tax exemptions for nonprofits or, if they do, they are extremely narrow in coverage. Few have a complete link with the federal provision for their sales tax, but the states with exemptions for nonprofits have built their lists with the federal structure in mind. Exempting states often require a federal 501(c)(3) determination before providing exemption, others do not directly reference the federal code but provide a listing of types of organizations that essentially overlaps the federal law, and a few states automatically qualify organizations that have received federal determination (Massachusetts and Michigan, for instance).

States usually provide the exemption through (1) an exemption certificate that is either specific to nonprofits or more frequently the same as used for other exempt purchases (Alabama, Arizona, Colorado, Florida, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Nebraska, New Jersey, New Mexico, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming); (2) a certificate with a determination letter (Connecticut, Michigan); (3) an exemption letter (California, Mississippi, Missouri, Nevada); or (4) providing an exemption number (Illinois). No proof is required in Arkansas and North Carolina provides relief by refund rather than suspension of the tax at purchase.

Purchases

The states vary widely in the extent to which nonprofit organizations are provided purchase exemption.[7] The states can be broadly divided into three groups: the states with no general exemption for purchases by nonprofit organizations, the states with broad exemption for all nonprofit organizations, and the states with exemption for a number of classes of nonprofit organizations. States with no general exemption include Alabama, Hawaii, South Carolina, and Washington. States with the broadest, most general exemption include Colorado, Connecticut, Florida, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Ohio, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia, Wisconsin, and Wyoming. The third group of states provides no general exemption for nonprofit organizations but provides exemption for certain types of nonprofit organizations (e.g., senior citizen centers, or for certain named organizations, such as Arkansas Poets Roundtable or American Red Cross). In these states, organizations must get special legislation to provide them with the exemption, rather than be included in a general exemption program. North Carolina provides relief through a refund system, rather than exemption, and the refunds are for listed types of service organizations.

It is not clear whether the pattern is from clear policy or from the termite effect gnawing at the tax base, but the trend is toward more exemptions, including movement toward general exemption as opposed to having a long list of exempt organizations, as with a recent change in Virginia. The broad exclusion has the advantages of greater transparency and reduced decision costs. Some organizations do qualify for purchase exemption in multiple ways, as with a school or hospital operated by a religious organization.

Another variation across states is in respect to the extent to which nonprofit organizations may allow others to use the exempt status of the organization for tax-free purchases of materials used in work for the nonprofit. Some states permit contractors working for the organization to purchase certain materials and supplies without tax, thus behaving as if the organization were purchasing them directly and simply hiring the contractor to put them together. In other words, the exemption for the nonprofit passes through to the contractor. States broadly providing a pass through include Colorado, Indiana, Kansas, Maine, Maryland, Massachusetts, Mississippi, Missouri, New Jersey, New York, North Carolina (by refund), Ohio, Rhode Island, Utah, and Vermont. For an organization involved in large infrastructure contracts, for instance, a nonprofit hospital building a new facility, the cost advantage of such a pass-through arrangement could be considerable. Other states do not provide the provision, or do so only on an extremely limited basis. In this case, the extra cost of the embedded tax would almost certainly flow through to an impact on those served by the organization.

Another arrangement whereby the exempt status passes to the purchaser is in regard to Red Cross client assistance cards. These cards are cash cards provided as a component of their disaster and other relief programs. States vary in the extent to which they automatically provide sales tax exemption to purchases made with these cards. States providing this exemption include Alabama, Arkansas, California, Florida, Idaho, Illinois, Kansas, Kentucky, Louisiana, Nevada, North Carolina, North Dakota, Ohio (limited), Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Vermont, Virginia, West Virginia, and Wisconsin. Colorado refunds tax paid. Of course, many purchases made with these cards, particularly grocery store food, would be exempt in most states in any case, but the assistance cards can be used for other purchases as well and the exemption is carried with the card and purchaser, not conditioned on the exempt nature of what is being purchased. But this does represent sales tax relief provided in targeted fashion to the most deserving individuals.[8] It is far more targeted than popular commodity exemptions for food and prescription medicines that are typically found in state sales tax structures.

Sales

The second sales tax impact on nonprofit organizations is in regard to taxability of their sales, an issue of growing concern because more nonprofit organizations are engaged in commercial activity than in the past. Indeed, data for 2005 show that public charities received 50 percent of their total revenue from fees for services and goods from private sources, as opposed to investment income, private contributions, or government grants (Blackwood, Wing, and Pollak, 2008, p. 3). The exemption for sales is of consequence to the modern nonprofit organization, but to different degrees. Nonprofit organizations provide a range of goods and services to their clients, with those products ranging from being purely public (public green space) to purely private (horseback riding lessons). The ones at the more private end of the range are more likely to operate with charge financing and to have private competitors (Fischer, Wilsker, and Young, 2007). For these, the question of how the sales tax will treat their sales is of considerable significance.

Tax treatment of sales is, of course, not an issue for nonprofits that give their services away – they have no sales revenue upon which the tax can be levied. While a purist might argue that these services represent consumption on the part of the recipient, it would be a stretch to try to apply the tax to some imputed value, as well as not being in keeping with the operational logic of the rest of the sales tax – not to mention being a bit repulsive to sensibilities when a meal served at no charge to a destitute individual in a community kitchen would bring a sales tax liability. But nonprofits do make sales and sales tax laws treat these sales in different ways, often distinguishing between sales that are related to the basic mission of the nonprofit and sales that are only for fund raising.[9]

As with tax treatment of purchases, it is possible to divide states into three categories in regard to tax treatment of sales. A small group of states do not exempt sales by nonprofit organizations. These states include Alabama, California (limited exceptions), Hawaii, Idaho, Kansas, Nebraska (limited exception), Oklahoma, and South Dakota. Another small group provides a broad exemption. These states include Arizona, Arkansas, Iowa, Missouri, Nevada, New Mexico, New York, and Utah. The third group provides a special exemption for fund-raising activities with provisions that are often similar to those for casual or isolated sales by other entities. These exemptions are for transactions not related to the primary mission of the organization. States provide fund-raiser limits that may prescribe the number of permitted days of the sale per year, set limits on the proceeds from the sales, may limit the sales to donated property, may require a special state permit for the fund-raiser, may be limited to certain items (Girl Scout cookies), or may limit the price per item in the exempt sales. Where there are limits, their focus appears aimed toward reducing the possible discrimination against proprietary vendors selling roughly the same items. The special nonprofit fund-raiser provisions require that proceeds be used for the charitable purposes of the organization and often require that the organization pay tax when they purchase items for sale in the exempt fund-raiser.

POLICY CONSIDERATIONS FOR THE DESIGN OF SALES TAX TREATMENT OF NONPROFITS

A policy for sales tax treatment of nonprofit organizations should be consistent with the general principles for sales tax policy. The presumption of retail sales taxation is that household consumption expenditure represents a logical basis for dividing the cost of government and that the sales tax burden is on customers. Hence, all such spending should be included in the tax base to mitigate distortion, to prevent inequity created by household consumption preferences, and to permit the lowest possible statutory tax rate. The presumption is against all exemptions and exclusions except those necessary to define the base. That strategy is likely to keep economic distortions and disincentives to the lowest feasible level, to reduce complications and distractions that elevate administrative and compliance costs, and to provide greater transparency in regard to the true burden of the tax on the private economy.

Those principles suggest the following sales tax policy toward nonprofit entities:

First, sales tax exemptions for nonprofit organizations should focus on the customers/users of services or goods. If both nonprofit and proprietary organizations sell a particular good or service, whether that product should be taxable should not depend on the organization of the seller but rather on the nature of the buyer. Is it reasonable to subsidize the consumption of that product because of external benefits from its consumption or because of the nature of these consumers? If so, then there is logic for exempting such sales. The exemption for purchases made with Red Cross client assistance cards provides a useful approach for targeting the subsidy from sales tax exemption to deserving consumers. If governments are also providers of the good or service, then their sales should be exempt or not based on that same criterion. As states expand their sales tax base to include sales of services, a logical treatment for sales by nonprofit organizations becomes more important because many of these organizations provide services, rather than sell goods, and operate as service providers in markets also served by proprietary firms. Exemption policy needs to be based on the nature of the customer or the product, not on the nature of the producer.

Second, nonprofit organizations are producers of goods or services and should not be treated as if they were consumers of the inputs they purchase. Their purchases of inputs should be tax exempt in order that the tax they pay not become a concealed (and potentially pyramided) tax burden on the customers to whom they provide services. The same producer purchase exemption policy should be given all production entities, whether they are organized as a nonprofit, proprietary, or government organization. Should the product being sold generate external benefits, then a case can be made for exemption on sale and there is no sense to trying to recoup that revenue loss by applying tax to the input purchases. By similar logic, the exemption pass-through system represents a useful approach to preventing pyramiding and to reducing an incentive to structuring contract work in an artificial way to minimize sales tax liability. States do like to grab some revenue by applying tax at some point in the production stream, as when a nonprofit organization that does not charge for its services or that sells services or goods that are exempt must pay sales tax on its purchases. In that case, the clients of the nonprofit almost certainly bear the hidden and embedded burden of that tax payment. This treatment violates the fundamental principles of consumption taxation: a purchase deemed inappropriate for sales taxation ought not bear sales taxation through the back door of taxation of inputs. It is a policy travesty to deem the customers of a nonprofit organization worthy of exemption when the organization makes sales to them and then to try to recoup lost revenue by taxing inputs purchased by that organization. States particularly concerned about abuse of a purchase exemption could consider adopting the refund approach used in North Carolina, in which the relief decision is in the hands of the revenue department rather than the vendor.

Third, the treatment of fund-raiser sales is strangely inconsistent with treatment of comparable sales under the income tax. Under the income tax, income received from activities that are not related to the core mission of the nonprofit organization are taxed under the unrelated business income tax.[10] The tax seeks to prevent nonprofit organizations from gaining a competitive advantage over proprietary enterprises. But many states provide special provisions allowing exempt sales for fund-raising events that deal in products explicitly different from that which its mission involves, exactly the sort of sale that would almost definitely involve unfair competition. Purchasers at these events seldom would qualify for the subsidies implicit in the exemption and the items being sold are unrelated to the exempt purpose of the nonprofit. States generally manage this anomaly through the occasional or isolated sale exception, but do need to resist special pleadings from nonprofits under the guise of using sales revenue to support their other good works. Handling the fund-raiser through the occasional or isolated exception also relieves the nonprofit entity from sales tax compliance work, with which many are not familiar, while keeping them on the same competitive basis as comparable sales by proprietary entities.

Finally, there are advantages to a general nonprofit purchase exemption approach, rather than the efforts made to limit exempt status to selected organizations. Unless the organization is exempt by name (e. g., the Girl Scouts), exemption under one category may extend to other operations, as with a religious order with exemption on that basis operating a low-income housing project. The subsidy bleeds over and comparable providers lacking the religious connection are not able to provide benefits of subsidy to their clients. Because organizations could be exempt under various nonprofit categories, an avoidance of distortion and of inequitable treatment between operating units implies that a sales tax subsidy should be targeted on customers and not on the mechanism or entity of provision.

SUMMARY AND CONCLUSION

Growth of nonprofit organizations appears likely to continue and the sales tax exemption will become of greater importance as statutory sales tax rates increase and as states place greater constraints on the levy of property taxes. Sales tax policy toward nonprofit organizations should treat them as alternate to government and proprietary firms for service provision. The policy should seek evenhandedness across providers, in order to avoid artificial favoritism of one organizational structure over others. Subsidy policy (i. e., exemption of purchase or sale) should focus on the customer and not on the organization structure. That is the logic most consistent with the normal standards for sales taxation.

Notes

[1] It is useful to compare these tax loss numbers with state and local tax payments by proprietary businesses. Phillips, Cline, and Neubig (2008) find general sales tax paid on business inputs to be 22.9 percent of total taxes paid by businesses, second only to 35.1 percent from property taxes.

[2] Property tax rate estimate from Cordes, Gantz, and Pollak (2002). Sales tax rates from *CCH Tax Research Network*.

[3] Every state exempts charitable nonprofit organizations from property and income taxation, although they do differ in what is a charity (Bowman and Fremont-Smith, 2006, p. 201). There are, however, differences in the exemption itself for sales taxation, as well as in the sorts of charities eligible for the exemptions.

[4] The question is why the subsidy should be through less-than-transparent tax expenditures as opposed to the far more apparent and controllable direct expenditure approach.

[5] As a tax exemption, however, it does complicate tax administration and compliance, thus increasing the cost of collecting the tax. In other words, it reduces costs associated with subsidization but increases the cost of tax collection.

[6] Sales tax exemption does require the nonprofit purchaser to provide documentation of the reason for the exemption, so the exemption involves somewhat more compliance burden on the purchaser than would taxation. The compliance burden would be on the nonprofit in regard to sales, should they be in a taxable category.

[7] Categorization of tax treatment of nonprofit organization sales and purchases is based on information from the *CCH Internet Tax Network*; RIA (2008); and forms, certificates, regulations, and other documents of the individual state tax departments.

[8] The Federal Emergency Management Administration, an agency of the federal government, also provides purchase cards to disaster victims. Although the purpose of the cards is the same as those issued by the Red Cross, not all states provide the same purchase exemption status to both.

[9] There can be unusual consequences of nonprofit sales activity. West Virginia employs a “support test” for qualification of nonprofit purchase exemption. In *Davis Memorial Hospital v. West Virginia State Tax Commissioner* (2008), a nonprofit hospital was denied sales and use tax exemption because gifts, grants, charitable contributions, or membership fees made up less than half of its support – the hospital charged patients and the West Virginia Supreme Court of Appeals included these charges as part of the hospital’s support. The hospital had argued that, because its charges were derived from its exempt purpose, these revenues should be excluded from the support test calculation. The Court disagreed. Most commercial nonprofit organizations would find this to be a troubling interpretation.

[10] Under the federal income tax., unrelated business income is from a trade or business that is regularly carried on and is not substantially related to achievement of the tax exempt purpose. That the resulting income is used to further an exempt purpose is not relevant. The sales tax fund-raiser exemption explicitly relieves unrelated transactions, although the exemption usually requires that the activity not be a regular event, and requires that proceeds be used to support the exempt purpose.

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