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## **Alabama Department of Revenue NOTICE**

### **Tax Guidance for United Appeal Funds and Supported Charities Claiming Exemption from the Payment of Sales, Use, and Lodgings Taxes**

The legislature has passed and the governor has signed Act 2017-149 which amends Title 40, Chapter 9, Section 12. This Act maintains an exemption for qualifying united appeal funds and their supported charities that have a valid Sales & Use Tax Certificate of Exemption issued before July 1, 2017, while also adding certain requirements. A qualifying united appeal fund is defined in Section 40-9-12(d) as any nonprofit entity that demonstrates to the reasonable satisfaction of the Department of Revenue that it has all of the following characteristics:

- Is an Alabama nonprofit corporation, or another type of legal entity, whether formed in Alabama or in another jurisdiction, which is required by its principal governing documents to be operated as a charity.
- Is one of a class, donations to which are deductible for federal and Alabama income tax purposes under Section 170(c) of the Internal Revenue Code.
- Has as its principal purpose, as stated by its principal governing documents, the raising of funds or the aggregation or consolidation of fund-raising efforts, to support other charities which are not themselves united appeal funds, known as supported charities.
- Has been issued an Alabama Sales & Use Tax Certificate of Exemption prior to July 1, 2017.
- With respect to the distribution of funds raised by the united appeal fund, the entity's principal governing documents must require that no supported charity, as defined in this subsection, will receive de minimus support.

A "Supported Charity" is defined as any charitable, civic or eleemosynary institution for which a united appeal fund solicits funds. Furthermore, each supported charity must be separately identified by name in the principal governing documents of the united appeal fund entity. Each supported charity must agree, in its own principal governing documents, to become or remain a member of the united appeal fund that funded the supported charity.

This means all united appeal funds and their supported charities must be in compliance by June 30, 2017. To be in compliance, both the united appeal fund and the supported charity must have a current, valid certificate of exemption issued by the Alabama Department of Revenue. As of July 1, 2017, in order to renew the exemption certificate, a united appeal fund or a supported charity will be required to provide documentation showing they meet the above definitions.

We encourage all united appeal funds to verify before June 30, 2017, that their supported charities have a current, valid Alabama exemption certificate and, in turn, all supported charities verify with their united appeal fund that they have a current, valid Alabama exemption certificate.

Also, please be advised that in accordance with Act 2015-534, all united appeal funds and their supported charities are required to file a quadrennial informational report with the Department in a manner prescribed by the Department. The first report required to be filed shall be due on October 1, 2017, and must be filed by October 31, 2017, for the fiscal year ending September 30, 2017. Reporting instructions will be forthcoming in a separate notice.

**Both timely filing of the quadrennial informational report and maintaining a current, valid certificate of exemption are required to remain eligible for the exemption. If a united appeal fund or a supported charity falls out of compliance, the exemption certificate will be revoked and will not be eligible for renewal.**

For additional information concerning this guidance, taxpayers should contact Sales and Use Tax Division Exemption Unit personnel at (334) 242-1490 or by email at [stexemptionunit@revenue.alabama.gov](mailto:stexemptionunit@revenue.alabama.gov).