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Alabama Department of Revenue NOTICE

Tax Guidance for United Way Organizations and United Way Member Agencies, 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 United Way organizations and United Way member agencies in Alabama. In addition, an exemption remains in place for qualified united appeal funds and supported charities that have a valid Sales & Use Tax Certificate of Exemption issued before July 1, 2017. The Act made no changes to the exemptions as they apply to those named entities with a statutory exemption from the Alabama legislature.

For purposes of this Act, the term “United Way organization” means any nonprofit corporation legally authorized and licensed to operate under the name United Way and use the name United Way and the associated logo and trademarks. The term “United Way member agency” means any nonprofit organization that receives more than a de minimis amount of funding through the approval of the board of a United Way organization, is accountable to the granting United Way organization for the expenditure of any funds received from such United Way organization, and is included on a list of such nonprofit organizations submitted annually to the Department of Revenue by all United Way organizations.

A “United Appeal Fund” is any nonprofit that demonstrates to the reasonable satisfaction of the Department that it meets certain enumerated characteristics to include maintaining a Sales & Use Tax Certificate of Exemption as required by Section 40-9-60 on a continuous basis for all future periods starting on 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 Act, will receive de minimis support. Each supporting charity must be separately identified by name in the principal governing documents of the united appeal fund entity, and by name and federal employer identification number at the request of the Department of Revenue. Each supported charity must agree, in its own principal governing documents, to become or remain a member of the united appeal fund that funds the supported charity. Additionally, in accordance with Act 2015-534, to remain qualified, all existing united appeal funds are required to file a quadrennial informational report with the Department in a manner prescribed by the Department as a condition to remain qualified. The first report required to be filed shall be due by October 31, 2017, for the fiscal year ending September 30, 2017. Reporting instructions will be forthcoming in a separate notice.

While all statutorily exempt entities to include the United Way organization and their member agencies and qualified united appeal funds are required to maintain a valid Sales & Use Tax Certificate of Exemption and to file reports, both timely filing of the quadrennial informational report and maintaining a current, valid certificate of exemption are mandatory for a united appeal agency to remain eligible for the exemption. If a united appeal organization or supported charity fails to comply with the aforementioned requirements, the exemption certificate will be revoked and the organization or member agency 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.