

Sales tax between Trade As One and churches

Q: As a church, we are exempt from paying sales tax. Why is Trade As One charging sales tax on our purchases?

A: Many church leaders confuse their church's exemption from paying sales tax with an exemption from collecting sales tax. Most states, including Texas, do not exempt churches from collecting and reporting sales tax on taxable transactions. This includes Trade As One items sold to congregants, and the partner church is responsible to the state of Texas for collecting, reporting, and paying the required sales tax.

However, many church leaders are not familiar with filing sales tax returns. Therefore, as a courtesy to the partner church Trade As One sells its goods to the church on a "pass through" basis and pays the necessary sales tax on the church's behalf. The partner church's obligation to pay sales tax is met and the church is relieved of its responsibility to report and pay sales tax on Trade As One goods. The church's sales tax exempt status is not adversely affected.

Q: How does this work?

A: Assume your church is located in a Texas city with an overall sales tax rate of 8.25% and purchases an item from Trade As One with a retail cost of \$9.24. To meet your obligation to collect sales tax, you would ordinarily need to sell the item to your congregants for \$10.00 and then report and pay \$0.76 to the Texas Comptroller's office. Instead, you purchase the item from Trade As One for \$10.00, tax included. Trade As One in turn reports and pays \$0.76 in sales tax to the Texas Comptroller's office on your church's behalf and in accordance with state law. Then you sell the item to a congregant for \$10.00 and keep the entire amount to purchase more Trade As One products.

Q: What if our church wants to use Trade As One coffee in its Sunday morning coffee bar?

A: In Texas, churches are exempt from paying sales tax on purchases that are used within the church's exempt function. This means that the church may purchase supplies, including Trade As One coffee, without paying Texas state sales tax. If the coffee is not being sold, then the church may purchase Trade As One coffee tax free. This does not mean that the church may make tax free purchases of Trade As One items that will not be used by the church in its exempt function.