

TITLE 12—DEPARTMENT OF REVENUE
Division 10—Director of Revenue
Chapter 110—Sales/Use Tax—Exemptions

12 CSR 10-110.955 Sales and Purchases—Exempt Organizations

PURPOSE: Sections 144.030 and 144.062, RSMo, exempt certain types of organizations from tax on certain transactions. This rule clarifies which transactions are exempt for each type of organization.

(1) In general, some organizations are exempt from tax on all or certain sales and purchases, while other organizations are only exempt on all or certain purchases. Note that this exemption should never be used for employees' or members' personal purchases. Rather, it is to be used only for purchases made in the organization's exempt functions. Further, an exemption from federal income tax does not necessarily exempt an organization from state sales or use tax.

(2) Definition of Terms.

(A) Exempt organization—one (1) of the following types of organizations:

1. United States government or agency;
2. Political subdivisions of the state of Missouri;
3. Missouri Department of Transportation;
4. Rural water districts;
5. Religious organizations and institutions;
6. Charitable organizations and institutions;
7. Public elementary and secondary schools;
8. Not-for-profit civic, social, service, or fraternal organizations;
9. Eleemosynary, penal institutions, and industries of the state of Missouri;
10. Public and private not-for-profit post-secondary educational institutions;
11. State of Missouri relief agencies;
12. Benevolent, scientific, and educational agricultural associations;
13. Nonprofit summer theater organizations;
14. Missouri state fair and county agricultural and mechanical societies;
15. Private not-for-profit elementary and secondary schools; and
16. Interstate compact agencies.

(B) Charitable—to benefit the common good and welfare of the people of a community while relieving government of a financial burden that it would otherwise be required to meet.

(C) Civic—concerned with and related to the citizenry at large and benefiting the community it serves on an unrestricted basis.

(D) Direct sales—sales of tangible personal property or taxable services to an organization for use in its exempt functions and activities or sales by an organization where the net proceeds from such sales are for its charitable purpose.

(E) Direct costs—costs directly incurred in making direct sales. Direct costs do not include indirect costs such as overhead costs.

(F) Educational—to provide with knowledge or training.

(G) Net proceeds—the proceeds remaining from direct sales after deducting direct costs.

(H) Exemption letter—a document issued by the Department of Revenue recognizing an organization's exemption from sales or purchases or both.

(3) Basic Application of Rule.

(A) All sales of tangible personal property or taxable services to the United States government or its agencies and all sales of tangible personal property used exclusively in the manufacturing, processing, modification, or assembling of products that are sold to the United States government or its agencies are exempt from tax. See 12 CSR 10-112.300.

(B) All sales of tangible personal property or taxable services to the state of Missouri or its political subdivisions are exempt from tax. Except for school districts and the Missouri Department of Transportation, sales by the state of Missouri and its political subdivisions are subject to tax. Sales by school districts and the Missouri Department of Transportation are exempt from tax. Amounts paid in or for any place of amusement, entertainment or recreation, games or athletic events, including museums, fairs, zoos, and planetariums, owned or operated by a political subdivision are exempt from tax, if all the proceeds benefit the political subdivision. Sales to other states and their political subdivisions are not exempt from tax.

(C) All sales of tangible personal property to Missouri rural water districts are exempt from tax. Sales by such organizations are subject to tax, unless otherwise exempt.

(D) All sales made to or by any religious and charitable organizations and institutions in their religious, charitable or educational functions and activities are exempt from tax. All sales by the same type of organizations and institutions of other states are exempt from tax providing such organizations and institutions are exempt from a similar tax in their own states.

(E) All direct sales made to or by Missouri not-for-profit civic, social, service or fraternal organizations, including qualified fraternal organizations exempt under Internal Revenue Code Section 501(c)(8) and (10), solely in their civic or charitable functions and activities are exempt from tax providing the net proceeds are designated for civic or charitable functions and activities. Sales to or by not-for-profit civic, social, service or fraternal organizations of other states are exempt from tax if such organizations are exempt from a similar tax in their own states and otherwise qualify for the exemption in Missouri.

(F) All sales made to or by public elementary and secondary schools in their educational functions and activities are exempt from tax. School districts are also exempt from all sales by or to the district. All sales to or by public elementary and secondary schools of other states are exempt from tax providing such public elementary and secondary schools are exempt from a similar tax in their own states.

(G) All sales to eleemosynary, penal institutions, and industries of the state of Missouri are exempt from tax. Sales by such organizations are subject to tax, unless otherwise exempt.

(H) All sales to public and private not-for-profit postsecondary education institutions are exempt from tax. Sales by such organizations are subject to tax, unless otherwise exempt. Sales made to or by public and private not-for-profit postsecondary education institutions of other states are exempt from tax if such organizations are exempt from a similar tax in their own states.

(I) All sales to state of Missouri relief agencies are exempt from tax. Sales by such organizations are subject to tax, unless otherwise exempt.

(J) All ticket sales by benevolent, scientific, and educational agricultural associations which are formed to foster, encourage, and promote progress and improvement in the science of agriculture and in the raising and breeding of animals are exempt from tax. All ticket sales by the same type of associations of other states are exempt from tax providing such associations are exempt from a similar tax in their own states.

(K) All ticket sales by nonprofit summer theater organizations exempt from federal income tax under the provisions of the Internal Revenue Code are exempt from tax. All ticket sales by the same type of organizations of other states are exempt from tax providing such organizations are exempt from a similar tax in their own states.

(L) All admission charges and entry fees to the Missouri state fair and any fair conducted by a county agricultural and mechanical society organized and operated pursuant to sections 262.290 to 262.530, RSMo are exempt from tax.

(M) All sales to private not-for-profit elementary and secondary schools are exempt from tax. All sales to private not-for-profit elementary and secondary schools of other states are exempt from tax if such organizations are exempt from a similar tax in their own states.

(N) All sales to an interstate compact agency created pursuant to sections 70.370 to 70.430, RSMo (“Bi-State Development Agency”) and sections 238.010 to 238.100, RSMo (“Kansas City Area Transportation Authority”) in the exercise of the functions and activities of such agencies as provided by compact are exempt from tax.

(O) For exempt entities listed in 144.062, RSMo, all sales of tangible personal property and materials, for the purpose of constructing, repairing, or remodeling facilities that are related to the entity’s exempt functions and activities, to a contractor or other entity purchasing for the exempt entity pursuant to the requirements of section 144.062, RSMo, are exempt from tax. To claim the exemption, the exempt entity must provide a project exemption certificate to all contractors, subcontractors or other entities. Such contractors, subcontractors and other entities must provide a copy of the project exemption certificate to sellers when purchasing tangible personal property or materials for such facilities. See 12 CSR 10-112.010.

(4) Examples.

(A) A nonprofit, fraternal benefit organization supports several local youth activities. An Exemption Letter for the organization was obtained from the Department of Revenue. The organization operates a lounge that is open to the public. A substantial amount of its revenue is derived from beverage sales in its lounge. All revenue from the lounge is deposited into the organization’s general account and is not separately accounted for. All operational expenses, as well as costs of the local youth activities, are paid from the general account. Although the organization has an Exemption Letter, all beverage sales are subject to tax as the net proceeds from beverage sales are not separately accounted for and used solely for the organization’s civic activity of supporting local youth activities.

(B) A nonprofit fraternal benefit organization will hold a chili feed to buy public park playground equipment. All net proceeds of the direct sales of chili will go to the purchase of the playground equipment. The organization may purchase the chili ingredients and serving equipment exempt from tax and should not charge a sales tax on the chili sales.

(C) A nonprofit charitable organization operates a gift shop located within a nonprofit hospital. The hospital serves both paying and indigent patients. All profits remaining after paying for expenses of the gift shop go to benefit the hospital. Customers of the gift shop are primarily the hospital’s patients and visitors and not the general public. All sales to and by the organization are exempt from tax because its sales are limited to hospital patients and visitors and all profits are for the charitable purpose of the hospital, to provide medical care for all who may seek its services.

(D) A Missouri contractor purchases materials and supplies in Missouri to perform a construction contract in a neighboring state for a public secondary school. The purchases are exempt providing the public secondary school in the other state is exempt from a similar tax in its own state.

(E) A Missouri contractor purchases materials and supplies in Missouri to perform a construction contract for a Missouri school district. The school district is an exempt entity listed in section 144.062, RSMo. Prior to making its purchases, the contractor obtains an authorized exemption certificate from the district. The contractor's purchases are exempt from tax because it obtained a copy of the authorized exemption certificate prior to making its purchases.

(F) A Missouri charitable organization is authorized and operates a Missouri fee office for the Department of Revenue. The profits of the organization are used to purchase clothing and books for indigent families. Purchases of equipment and supplies for operating its fee office are not exempt from tax as these purchases are not for its charitable purpose. Purchases of clothing and books for indigent families are exempt from tax as these purchases are for its charitable purpose.

(G) Several of an exempt organization's employees go to a restaurant to eat lunch. If the employees are paying the restaurant using cash or a personal credit card, then the employees should not present the organization's tax-exempt letter. In this instance, the employees, rather than the organization, are the legal purchaser. Therefore, the purchase of the meal is subject to sales tax.

(H) Same facts as in subsection (G) above, except that the meal is billed to and paid for directly by the exempt organization. The charges for this meal are exempt from sales tax, because the exempt organization is the legal purchaser. In this instance, it would be correct for the organization to present a copy of its exempt letter to the restaurant.

(I) A state university books a block of rooms for the university's teaching staff. The teaching staff will be required to pay for their own rooms. Because the staff members are the legal purchasers of the rooms, the university should not present the hotel with the university's tax-exempt letter. The hotel should charge the guests sales tax on their bill.

(J) Same facts as subsection (I) above, except that the hotel rooms are billed to and paid for by the university. Because the university is the legal purchaser, the university should present the hotel with its tax-exempt letter. The hotel should not charge the university sales tax on the hotel bill.

*AUTHORITY: section 144.270, RSMo 2016. * Original rule filed July 31, 2001, effective Feb. 28, 2002. Amended: Filed Aug. 18, 2025, effective Feb. 28, 2026.*

**Original authority: 144.270, RSMo 1939, amended 1941, 1943, 1945, 1947, 1955, 1961, 2008.*

***St. John's Medical Center, Inc. v. Spradling**, 510 S.W.2d 417 (Mo. 1974). Nonprofit hospitals and a county hospital served paying and indigent patients. The hospital operated cafeterias and other nonprofit charitable organizations operated gift shop within each hospital. The cafeterias and gift shops served primarily staff, patients and visitors, as there was no intent to serve the general public. All profits from the cafeterias and gift shops were given to the hospitals. The primary purpose of operating the cafeterias and gift shops was not to make profits, but to use*

any income from those operations for the operation of the hospitals for benefit of each hospital's patients whether paying or indigent. Sales by the cafeterias and gift shops were exempt from tax.

Anheuser-Busch Employees' Credit Union v. Director of Revenue, Case No. 90-001646 RS (A.H.C. 1992). A credit union that was a member-owned and controlled not-for-profit Missouri credit union organized with the purpose to encourage thrift and to educate its members in the prudent and responsible use of money was not exempt from tax as a charitable or educational organization as its activities were not charitable or educational in nature. The credit union was also not exempt as a civic, social or service organization as sales made by or to the credit union were not within its civic or charitable functions and activities.

Benevolent and Protective Order of the Elks v. Director of Revenue, Case No. 92-000138 RV (A.H.C. 1992). The Elks Club was a not-for-profit fraternal organization that received an Exemption Letter from the department of revenue. The Elks operated a bar and sold soft drinks, alcoholic drinks and snack foods to its members and guests and used these revenues to pay for its costs of operation, and to make charitable and civic donations. The revenues from the bar were not exempt from tax as the profits were not used solely for exempt purposes and the bar was primarily operated for fraternal and social reasons and not solely to raise money for charitable and civic purposes.

Godwin v. Director of Revenue (AHC 1991). A city contracted with taxpayer to manage and operate a golf course owned and maintained by the city. The taxpayer deposited all receipts from fees for use of golf carts and the course and fees for separate driving range and pro shop owned and operated by the taxpayer in a single bank account controlled by the taxpayer. Each week, the taxpayer remitted the contractual percentage of the cart and course fees to the city. The taxpayer retained all the other fees. The Commission held that all proceeds of the cart and course fees were exempt from tax under section 144.030.2(17), RSMo because the course was owned by the city and operated through a contract with the taxpayer. The Commission also held the fees from the pro shop and driving range were not exempt because these activities were the taxpayer's own enterprise and all proceeds were retained by the taxpayer.

Zoological Park v. Director of Revenue (AHC 1991). The AHC held that the exemption provided by section 144.020.2(17), RSMo for charges in or for a place of amusement owned or operated by a municipality includes all sales made by the municipal place of amusement, including sales of tangible personal property.

National Organization of Black Law Enforcement Executives, St. Louis Chapter v. Director of Revenue, Case No. RV-85-1244 (A.H.C. 1988). The organization was a Missouri not for profit corporation exempt from federal tax under Internal Revenue Code Section 501(c)(3). Its membership criteria was very general with the only requirement that a member have an interest in the goals of the organization. Its primary purposes were to evaluate legislation, form a network of support for minorities in law enforcement, discourage racism in the field of criminal justice and give financial assistance to the less fortunate. Its purposes were accomplished by monitoring legislation, donating funds to local community service projects and providing a social forum for those interested in the area of law enforcement. All of its activities were open to

the public. It derived its funds through dues and fundraisers. The organization qualified as a charitable organization exempt from tax.

St. John's Regional Medical Health Center v. Director of Revenue, Case No. RS-88-0054 (A.H.C. 1988). *Sales made by and to a hospital's fitness center were exempt as sales to a service organization in its educational function. The fitness center's various exercise programs and exercise instructors assigned to each member taught and motivated individuals to think and act properly as it relates to healthy lifestyles.*

St. Louis Calligraphy Guild v. Director of Revenue, Case No. RS-86-1517 (A.H.C. 1987). *The Guild was a Missouri not for profit chartered organization. Its purposes were to encourage cooperation and free intercourse among calligraphers, calligraphy teachers, calligraphy students, craftsmen, publishers and other in calligraphic activities, to hold competitions and exhibitions, to further the education and appreciation of calligraphy and to promote the improvement, advancement and excellence of calligraphy. Membership in the Guild was open to the public and only limited by one's interest in calligraphy. The Guild did not qualify to be exempt from tax, as it did not relieve government of the burden of providing a service that would otherwise be a governmental responsibility.*

Humanalysis, Inc. v. Director of Revenue, Case No. RS-85-2289 A.H.C. 1987). *Humanalysis was a not for profit corporation qualified as a tax-exempt organization under Internal Revenue Code Section 501(c)(3). Humanalysis was created to conduct research studies for federal, state and local governments with an emphasis on social welfare. Humanalysis is fully compensated on a cost basis by the agency that grants it money for its research. Humanalysis did not qualify as a charitable organization exempt from tax as it did not relieve government of the burden of providing a service which would otherwise be a governmental responsibility because it was paid for by its research service. However, Humanalysis qualified as a not for profit civic organization exempt from tax as its research was conducted on a not for profit basis, was available to the public and served the public as it was conducted with a special emphasis on problems regarding social welfare.*