



STATE OF ARKANSAS  
**Department of Finance  
and Administration**

**Assistant Commissioner of Revenue**  
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October 16, 2023

VIA EMAIL TO [REDACTED]

[REDACTED]

RE: Sales Tax – Church Fundraising Event and Bookstore Transactions  
Opinion Number 20230810

[REDACTED]:

I am responding to your request for a Revenue Legal opinion on behalf of [REDACTED]. In your email, you stated:

I am seeking a clarification or opinion on two matters.

1) Our Church, [REDACTED] is a non-profit. We are going to have a food festival event in October on the Church property. We would prepare food and sell the food. This year is the first year we will do this, but we plan to have it every year, once a year. The parishioners from the church who are cooking the food will purchase the food ingredients, cook it, and then we will sell it at the food festival. It is a one-day event. We plan to offer pre-sales on the items online. We will advertise the food festival around town as well and people will come to the church grounds and be able to also purchase the food there that day. The money collected will be given to the church by the parishioners who purchased and prepared the food.

My questions: do we need to collect and charge sales tax for the food we are selling? Are we considered to be “making a profit” or “competing with businesses”? The goal of the food festival is to have people come and visit our church.

2) Someone is willing to donate books to our church (both new and used). We’d like to have a bookstore to offer these books to people. In the event that someone gives a monetary donation for the book or books, we’d like to use this money to purchase more new (or used books).

My questions: Would we need to collect sales tax? Would we need to create a different non-profit (with tax number, etc.) for the bookstore?

## RESPONSE

Sales made by a church are exempt from sales tax, except when the church may be engaged in business for profit.

### Discussion

Subject to an exemption, the Arkansas gross receipts (sales) tax is generally applicable to all sales of tangible personal property and certain enumerated services. *See* Ark. Code Ann. § 26-52-301 (Supp. 2023). The tax is computed based on the total value of consideration paid for the taxable property or service. *Id.*; *see also* Ark. Code Ann. § 26-52-103(19) (Supp. 2023).

Sales made by a church are specifically exempt from the gross receipts tax except when the church may be engaged in business for profit (rather than competing with for-profit businesses). *See* Ark. Code Ann. § 26-52-401(1) (Supp. 2023). The phrase “engaged in business for profit” means that the income or receipts of the church inures to the benefit of an individual, corporation organized for profit, trust organized for profit, or partnership organized for profit. *See* Arkansas Gross Receipts Tax Rule GR-39(D)(2).

*1. Food Festival.* As described in your email, this annual event will involve parishioners purchasing and preparing food to be sold with the money collected to be given to the church. The parishioners will pay sales tax on the food ingredients. Although you did not describe the church’s ministries, the church’s website identifies [REDACTED] such as [REDACTED], which provides help to those who need material assistance. Based on this information, it does not appear that the church is engaged in business for profit. Therefore, since the sales of food are made on behalf of the church by parishioners and not special event vendors,<sup>1</sup> the church’s sales will be exempt from the gross receipts tax under Ark. Code Ann. § 26-52-401(1) (Supp. 2023).

*2. Bookstore.* Based on the information provided in your email (“[i]n the event that someone gives a monetary donation for the book or books”), it does not appear that the church is engaged in business for profit. Therefore, the proceeds derived by the church from monetary donations received for a book or books will be exempt from the gross receipts tax under Ark. Code Ann. § 26-52-401(1) (Supp. 2023).<sup>2</sup> This exemption provides that sales of tangible personal property and services by (as opposed to sales made to) churches are exempt from tax. However, as a general rule, purchases of tangible personal property or services by (or sales made to) churches are not exempt from sales tax unless the items purchased are for resale. *See* Arkansas Gross Receipts Tax

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<sup>1</sup> A promoter or an organizer of a special event must register for sales tax collection with the Secretary of the Department of Finance and Administration and must provide special event vendors with special event sales tax reporting forms and any other information that may be required by the Secretary. *See* Ark. Code Ann. § 26-52-518 (Supp. 2023).

<sup>2</sup> In light of this response, the question regarding the creation of a different non-profit for the bookstore is not addressed.

Rule GR-39(B). The books purchased by the church and provided to people for no charge (without a monetary donation) are not purchased for resale so those purchases will not qualify for the sale-for-resale exemption and would be subject to sales tax.

I have based this opinion on my understanding of the facts as set out in your inquiry and as current Arkansas laws and rules govern those facts. Any changes in the facts or law could result in a different opinion. Only the requestor may rely on this opinion, and, pursuant to Arkansas Gross Receipts Tax Rule GR-75(B), this opinion will only be binding on the Department for three (3) years from the date of issuance.

A copy of the Arkansas Gross Receipts Tax Rules referenced in this letter is available online at [http://www.dfa.arkansas.gov/offices/policyAndLegal/Documents/et2008\\_3.pdf](http://www.dfa.arkansas.gov/offices/policyAndLegal/Documents/et2008_3.pdf).

Sincerely,

Paul Gehring  
Assistant Commissioner of Revenue  
Policy and Legal