

**TESTIMONY OF
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation
Hearing Date: *Tuesday, May 9, 2023, 1:00 PM*

L.D. 1755 – *“An Act to Exempt All Youth Development Nonprofit Organizations
from Sales Tax and the Service Provider Tax”*

Senator Grohoski, Representative Perry, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against L.D. 1755, *“An Act to Exempt All Youth Development Nonprofit Organizations from Sales Tax and the Service Provider Tax.”*

Currently, sales to nonprofit youth organizations whose primary purpose is “to provide athletic instruction in a nonresidential setting” are exempt from the sales and service provider tax. This bill proposes to broaden that exemption to all “nonprofit youth organizations.”

For clarity, MRS recommends the bill provide parameters by which an entity could be determined to be a “nonprofit youth organization.” Additionally, note that the exemption would overlap with other existing exemptions related to youth organizations, such as nonprofit youth camps, educational organizations, child advocacy organizations, and organizations that fulfill wishes for children with life threatening diseases.

Furthermore, the Committee should consider whether a nonprofit youth organization must obtain tax-exempt status under section 501(c)(3) of the Internal Revenue Code to be eligible for the proposed sales tax exemption.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.