

REG-1-036, Donations, Prizes, and Promotional Give-Aways

036.01 Donations. Donors are the consumers of any property purchased to be donated and the purchase of the property in Nebraska is taxable, unless an exemption otherwise applies. If a gift is delivered in Nebraska to either the donor or the donee, sales tax must be collected by the retailer from the donor.

036.01A If a person donates cash to an organization that is exempt from paying sales tax (sales tax exempt nonprofit), the sales tax exempt nonprofit can purchase property to be given away in a raffle or contest without paying or collecting sales tax.

036.01B Persons who purchase property that is donated to a sales tax exempt nonprofit are the consumers of the property donated and must pay sales tax on the purchase whether the property is delivered to the donor or to the sales tax exempt nonprofit.

036.01C If the donated property is a motor vehicle, the donor must pay use tax to the county treasurer based on the cost of the motor vehicle to the donor and the location of the donor.

036.02 Out-of-State Deliveries. Retailers who deliver property to either the donor or the donee at a location outside of Nebraska, are not required to collect sales tax.

036.03 Prizes Awarded by Sales Tax Exempt Nonprofits. Sales tax exempt nonprofits may purchase property to be awarded as prizes sales tax exempt. The recipient of the property that is awarded by the sales tax exempt nonprofit does not have to pay sales or use tax upon receiving the property. (Reg-1-090, Nonprofit Organizations, and Reg-1-014, Exempt Sale Certificate)

036.04 Motor Vehicles Awarded as Prizes. If the property awarded is a motor vehicle, sales tax is collected at the time the motor vehicle is purchased, donated, or registered in Nebraska, based on the purchase price, and the location of the nonprofit organization or winner. Reg-35-402 requires the nonprofit to have paid for the motor vehicle in full prior to the date on which the winners will be determined, regardless of whether or not the nonprofit takes title to the motor vehicle. This is shown in the examples in subsections A through C below. Use tax may also be due if there is a later transfer of title without registration. (Reg-1-020, Motor Vehicles)

036.04A For example, if a sales tax exempt nonprofit purchases and takes title to a motor vehicle to be awarded to the winner of a raffle or contest, the winner does not owe sales tax when registering the motor vehicle, because the nonprofit is exempt from sales tax and the winner did not purchase the motor vehicle. The sales tax exempt nonprofit must provide the winner a completed Nebraska Sales/Use Tax and Tire Fee Statement, Form 6, with exemption block 1 or 10 checked, and include its sales tax exemption number. The winner then provides a copy of the Form 6 to the county treasurer showing the tax exempt status of the sales tax exempt nonprofit at the time the winner registers the motor vehicle.

036.04B A nonprofit organization that is not sales tax exempt which purchases and takes title to a motor vehicle that will be awarded to the winner of a raffle or contest must pay the sales tax to the county treasurer based on the business location of the nonprofit organization. The winner does not owe additional sales tax at the time of registration because the winner did not purchase the motor vehicle. The nonprofit organization must provide the winner a completed Nebraska Sales/Use Tax and Tire Fee Statement, Form 6, with exemption block 10 checked. The winner then provides a copy of the Form 6 to the county treasurer at the time the winner registers the motor vehicle.

036.04C If a dealer donates a motor vehicle to a nonprofit which awards the motor vehicle as a prize in a raffle or contest, the dealer must pay sales or use tax to the county treasurer. The tax is calculated

based on the dealer's cost of the motor vehicle and its business address. The winner owes no additional sales tax at the time of registration because the winner paid nothing for the motor vehicle. This applies regardless of whether or not the nonprofit is sales tax exempt.

036.05 Promotional Give-Aways. The sale of property to be given away for advertising or promotional purposes is taxable. If property is purchased for resale and subsequently given away, the purchaser must include the cost of the property on the use tax return and remit the use tax due.

036.06 Pickle Cards, Lottery Tickets, and Raffle Tickets. Sales of pickle cards, lottery tickets, and raffle tickets to individual participants are sales of a chance to win and are exempt from sales and use taxes. The sale of the pickle cards or tickets to an organization is taxable, unless it is a sales tax-exempt organization or a sales tax-exempt governmental unit. (Reg-1-090 Nonprofit Organizations, and Reg-1-093, Governmental Units)

036.07 Nebraska Lottery Tickets. Sales of Nebraska Lottery tickets to individual participants or to Lottery Game Retailers are exempt from sales and use taxes.

*(Neb. Rev. Stat. §§ 77-2701.16, 77-2703, 77-2703.01, 77-2704.12, 77-2704.38, 77-2705, and 77-2706(3).
June 24, 2017.)*