

# ILLINOIS SALES TAX EXEMPTION FOR NOT-FOR- PROFIT EDUCATIONAL ORGANIZATIONS

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Published By:  
Community Economic Development Law  
Project of  
The Chicago Lawyers' Committee for Civil  
Rights Under Law, Inc.

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profit organizations and small business  
entrepreneurs who meet its eligibility  
requirements. Visit [www.cedlp.org](http://www.cedlp.org) for more  
information about CEDLP.

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This fact sheet can help determine if your  
organization may be entitled to an exemption from  
Illinois sales tax and how Illinois sales tax exemption  
works. This information can help you through the  
process. However assistance also is available from  
the Community Economic Development Law Project  
(CEDLP).

An organization with sales tax exemption receives  
an "E:" number but obtaining an "E"-number is not  
guaranteed, no matter how worthy your organization  
may be.

This fact sheet only applies to educational not for  
profits. If your organization is a charitable, religious,  
or arts or cultural not for profit, consult the CEDLP  
fact sheets for those specific types of organizations  
at [www.ciccrul.org/publications](http://www.ciccrul.org/publications).

## **GENERAL INFORMATION**

Your organization may be able to get an exemption  
from Illinois sales tax for some or all of the things  
your organization buys and sells. The following are  
answers to some of the basic questions about how  
the application process works and what an  
exemption can do for your organization.

### ***If the organization is already exempt from paying federal income tax, is the organization required to pay Illinois sales tax?***

Yes. An exemption from federal income tax  
does not mean the organization is exempt  
from Illinois sales tax. In Illinois, an  
organization must have an exemption  
identification number, also known as an "E"-  
number, from the Illinois Department of  
Revenue to be exempt from sales tax.

### ***What benefits does the "E"-number provide?***

- Purchases by the organization are exempt  
from Illinois sale tax. The organization must  
give to its suppliers a copy of the letter from  
the Department of Revenue providing the  
"E"-number in order to obtain the benefit of  
the exemption.
- Sales made by the organization are still  
taxable, except in the following situations  
(organizations must have an "E"-number to  
qualify for these exceptions):

- Sales to members primarily for the purposes of the organization (for example, sales of meals in a dining facility which is located on the premises of the school and whose use is confined to the students and employees of the school, but not where schools that are operated as “business” enterprises sell tangible personal property at retail to the general public or make retail sales to students of clothing, dormitory supplies or other items which cannot be said to be used “primarily for the purposes of” the school).
- Sales of food or beverages at occasional dinners, socials and other similar events are not taxable if those events are not held more than twice a year.
- Other sales when the organization is not competing with taxable business establishments. Selling is noncompetitive when:
  - The sales are made by members of the organization;
  - All the sales proceeds go to the organization or to charity;
  - The sales are not regularly made, but rather happen only annually or a few times during the year (for example, greeting cards sold for the holidays); and
  - The motive of most buyers is to make a gift to the organization or to charity.

**REQUIREMENTS FOR EDUCATIONAL ORGANIZATIONS**

***What does it mean for an organization to be operated for “educational purposes”?***

- A school is a place where systematic instruction in useful branches of learning is given by methods common to schools and institutions of learning and does not include schools for teaching dancing, riding and deportment. For example, an organization which conducts a four-week training school

each summer for funeral directors is not a school because the courses given and the intensity of their instruction do not compare favorably with those in a department of mortuary science and mortuary practice at regular colleges and universities, but represent only a superficial or brief instruction in courses constituting a minor part of the study of mortuary science.

- Consequently, flying schools, driving schools, art association schools, modeling schools, charm schools, and the like are not organized and operated exclusively for educational purposes because they do not offer courses which constitute systematic instruction in useful branches by methods common to public schools and which compare favorably in their scope and intensity with the course of study presented in tax-supported schools.
- The exemption for educational purposes includes private schools (such as parochial grade and high schools, private colleges and the like) as well as government-owned tax-supported schools so long as the institution qualifies as a school as described.
- The “educational purposes” exemption is not limited by the statute to nonprofit institutions. The exemption would include vocational or technical schools or institutions organized and operated exclusively to provide a course of study of not less than 6 weeks duration and designed to prepare individuals to follow a trade or to pursue a manual, technical, mechanical, industrial, business or commercial occupation (such as a business-operated law school) as long as the institution otherwise qualifies as a school.
- An association, which is not itself a school in the ordinary sense, but which provides a substantial service in improving the educational standards of schools (for example, the Association of American Medical Colleges), is within the “school purposes” exemption.
- Literary societies, for example, are mainly for the benefit of their own members as a hobby or pastime and do not relieve the public of a duty nor contribute sufficiently to the public to qualify for an exemption, and

- they are not places where systematic instruction in useful branches of learning is given by methods common to schools and institutions of learning in the ordinary or commonly accepted meanings of those terms.

***What must an educational organization prove to the Department of Revenue in order to be eligible for an Illinois Sales Tax Exemption?***

The organization must show, among other things, that:

- The organization is operated for “school” purposes, including public schools; private schools with a course of study that compares with that of public schools; vocational and technical schools or institutes organized and operated exclusively to provide a course of study not less than six weeks; and licensed day care centers.

**APPLICATION PROCESS**

***How does an educational organization apply for an Illinois Sales Tax Exemption?***

There is no specific application form to use when requesting a sales tax exemption. Instead, you must send a letter describing why you believe that your organization is exempt along with documents that show that your organization satisfies the requirements for the exemption.

The letter must include the following documents:

- A description of your organization, including how it works and what it does, and why the organization meets the requirements for a sales tax exemption;
- A copy of your organization’s articles of incorporation or a copy of the organization’s constitution;
- A copy of your organization’s by-laws;
- A copy of the letter from the Internal Revenue Service granting your organization an exemption from federal income taxes under Internal Revenue Code Section 501(c)(3). An educational organization is not required to have 501(c)(3) status to obtain Illinois sales tax exemption; however, if your organization is exempt from federal income taxes, include this

information in your application because the Illinois Department of Revenue considers it relevant;

- If your organization is not exempt from federal income tax, the CEDLP may be able to help your organization apply for a federal income tax exemption;

- A copy of your organization’s most recent financial statement<sup>1</sup>; and
- A copy of brochures or other printed materials explaining what your organization does and how it works. For example, newspaper clippings, or print outs from a website.

Address the letter to:

**Illinois Department of Revenue  
Office of Local Government Services 3-520  
101 West Jefferson Street  
Springfield, IL 62702**

**It is important that you provide as much information as possible to the Department in your initial letter.** If the application is denied due to insufficient or incomplete information, the Department’s decision is difficult to overturn at an administrative hearing.

***What happens after you submit your request?***

- If the Department of Revenue grants your exemption request, you will receive a letter providing you with an “E”-number. You will need to provide copies of this letter to suppliers when claiming the exemption on purchases.
- If your request is denied, you will have the right to appeal the decision. The denial letter will explain these rights to you. If you do need to appeal, legal assistance is very important at the hearing because the Department’s decision is difficult to overturn. Many lawyers will provide legal assistance to non-profit

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<sup>1</sup> The Department of Revenue is concerned in part with sources of funding for organizations seeking a sales tax exemption. Organizations that are not financed primarily from “public and private charity” may have more difficulty obtaining an exemption.

organizations on a pro bono basis. For more information contact the Community Economic Development Law Project.

## **USING THE E-NUMBER**

### ***How can an organization use its “E”-number to make exempt purchases or sales?***

- Exempt purchases and sales may only be made by properly authorized members of the organization on behalf of the organization. The “E”-number belongs to the organization.
- Purchases and sales must be for the benefit of the organization. Members of the organization may not purchase or sell anything for their own purposes.

### ***What happens if someone misuses the “E”-number?***

- The organization could lose its exemption from Illinois sales and use taxes.
- The individual misusing the “E”-number could be liable for unpaid Illinois sales and use taxes as well as interest and penalties.
- In some circumstances, criminal penalties may also apply.

### ***How may an organization obtain more information or help in applying for an Illinois sales tax exemption?***

Please contact the CEDLP at:  
**Community Economic Development Law Project**  
**100 N. LaSalle St., Suite 600**  
**Chicago, IL 60602**  
**312/939-3638 (Voice)**  
**312/630-1127 (Fax)**  
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