

# Fireworks Stands

By Michella Duque

**Q:** Our church is considering a fireworks stand for a fundraiser. Are there federal or state tax implications?

**A:** With the Fourth of July holiday approaching, some churches have operated fireworks stands to raise funds. While selling fireworks may be a lucrative fundraiser for your church, you need to exercise due diligence before proceeding.

Let me offer the following considerations. Depending on your state, there may be sales tax implications. A fireworks stand also adds a level of risk for your organization, especially if the stand is on church property.



## Sales Tax

Before operating a fireworks stand, contact appropriate authorities in your state for information regarding sales tax. The rules vary from state to state, and fireworks stands sometimes have different rules than other church transactions.

For example:

- In Missouri, nonprofits operating fireworks stands do not need to collect sales tax. However, the church will need to obtain a “No Tax Due” Letter to display at the fireworks stand. This letter notifies customers that the sales at the fireworks stand are sales-tax-free.
- In California however, there is no sales tax exemption granted to nonprofits operating a fireworks stand. The church will need to obtain a temporary seller’s permit (if they don’t have a regular permit) in order to collect and remit sales tax.

Additionally, the church should contact the county and city in which the fireworks stand will be located in order to determine what their requirements, if any, will be. One pastor in Texas noted that while the church was exempt from collecting state and city sales tax, the church was required to collect and remit county sales tax.

## Insurance

A church that wants to operate a fireworks stand should consider the additional risk that a tent full of fireworks presents. It will be necessary to contact your insurance provider to

ensure you have adequate insurance coverage. You should also check with state and local authorities for other insurance requirements.

For example, some states require certificates of general liability ranging from \$200,000 to \$1,000,000. Also, some cities require their name to be listed as additionally insured on all policies. Certain insurance companies offer Fireworks Liability Supplement plans that can be purchased as an addendum to your current coverage.

In summary, fireworks stands may be a great way to raise funds in a short amount of time, but there may be tax and insurance implications. Performing due diligence will ensure the holiday fundraiser is successful.

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## About the Author:

Michella Duque, an experienced church accountant, has assisted churches and ministers with their bookkeeping, payroll and tax reporting for over 20 years. She and her husband are also US missionary church planters.