



HOUSTON LIVESTOCK SHOW AND

RODEO™

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**Finance**

**Fundraising**



# **Fundraising**

**I. Tax on Committee Events**

**II. Other fundraising reminders**

# Tax on Committee Fundraisers

Enough to understand:

- why this is needed
- what is requested
- how this will impact you

# Tax on Committee Fundraisers

The Texas State Comptroller demands that we collect and remit sales tax on certain types of fundraisers.

# Compliance with Texas state sales tax regulations

HLSR generates several million dollars in support each year from committee fundraisers. These events typically include one or more of the following offerings:

- food
- alcohol
- live/silent auction
- entertainment/amusement services

# Compliance with Texas state sales tax regulations

While HLSR is a 501c3 and therefore exempt from the collection and remittance of some state sales tax, the exemption is not universal, and instead must be evaluated on each separate source of revenue:

- taxability of the item itself
- proceeds received in comparison to the benefit provided
- fair market value of the benefits received
- whether exempt amusement services are a primary component

# Compliance with Texas state sales tax regulations

- Why this is coming up now
  - Audit of 2015-2018, finally settled in January 2023
- Impact if the audit had gone through uncontested
  - \$1.5million in tax liability
  - 8.25% off the top of all committee event proceeds
  - ~\$500k a year in HLSR revenue exposed

# Compliance with Texas state sales tax regulations

## Some *easy* examples:

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- Taxable: Merchandise, Go Tejano Diner
- Not taxable: Go Tejano Tamale Sales, Carnival Ticket Sales, Rodeo Ticket Sales

## Some *not-so-easy* examples:

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- Taxable: Lawn chairs given to chute seat ticket buyers, Rodeo Express by the car
- Not taxable: Best Bites Ticket Sales, Wine Auction Sales, Rodeo Express by the rider

## Some *difficult* examples:

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- Taxable: Event revenue, depending on the components of the event and documentation provided
- *Not* Taxable: Event revenue, depending on the components of the event and documentation provided



# Events exempt from Policy

- “sale” or auction of livestock:
  - Junior Commercial Steer Auction
  - Junior Market Auctions – steer, barrow, lamb & goat, poultry
- specifically identified events from Comptroller’s Office of Policy
  - School Art Auction
  - Wine Auction
  - Rodeo Uncorked Best Bites
- specifically identified two “tax-free” days allowed to all Texas 501c3s
  - 1) Ranching & Wildlife Auction
  - 2) Judging Contest Fundraiser
- sale of nontaxable items – frozen tamales
- trinkets in exchange for donations – pins for buying groups

# Policy on Proceeds from Committee Fundraisers

- 1) Proceeds from committee fundraisers should be identified and recorded as one or more of the following:
  - a) Ticket proceeds
  - b) Auction revenue
  - c) Other donations / underwriters
- 2) Ticket proceeds will be evaluated to determine eligibility for a donation event
  - a) Ticket price is at least 200% of the support fair market value of the event
- 3) Ticket proceeds that aren't donations will then be evaluated for exemption as an amusement event or deemed taxable as a food event:
  - a) Exempt amusement events will be tax-free
  - b) Food events will charge 8.25% and include notification on the flyer/registration form
- 4) Auction revenue will be tracked by item, with new fields required in documentation:
  - a) Donor identified source of fair market value
  - b) Taxability of item
  - c) Calculation of proceeds vs fair market value
  - d) Assessment of sales tax on taxable items without sufficient documentation

# Implementation of New Policy – 2024 and 2025

## Fiscal 2024:

- 1) Document what is happening.
- 2) Identify what might have tax exposure
- 3) Work with your coordinator and the show's accounting group to ensure event proceeds are accurately reported

\*\*\*if the event is taxable, liability is covered by the Show, no impact to committee's event proceeds\*\*\*

## Fiscal 2025:

- 1) Plan for events that can avoid exposure to sales tax, or acknowledge a plan to collect/remit sales tax
- 2) Work with your coordinator and the Show's accounting team to ensure event proceeds are accurately reported

\*\*\*if the event is taxable, liability is covered by committee's event proceeds\*\*\*

# Tax on Committee Fundraisers – next steps

- Other comments, questions, concerns?

# Fundraising – Fair Market Value

- IRS regulations regarding Fair Market Value
  - FMV must be indicated on invitation/receipt
  - the amount collected less the FMV is the donation value to the donor
  - without FMV disclosure, the amount collected is the fair market value
    - ie, no donative value!
  - the donor must be given the opportunity to decline benefits IN ADVANCE
- All invitations/flyers should be approved by the Show's marketing and accounting departments before posting or publishing
  - must include HLSR donation language
  - staff coordinator will facilitate this process

# Fundraising – Matching Gifts

- Acknowledgement of the matched gift must come through the Show's accounting department
- Let volunteers know to submit their matching request *after* their underlying donation has been made
- Expect that only donations will be matched
  - Not entry fees, ticket sales, table sales, or other invoiced obligations
- Each company's rules are different

# Fundraising – Committee Buying Groups

- Only one fundraiser per year
- Spending at auction:
  - Proceeds are not to be spent on the Grand/Reserve Grand Champion lots
  - Benefits accepted from an auction purchase should benefit the whole committee
    - Meat package for committee picnic
    - Hide/buckle displayed in committee tent/office during Show
    - No participation in buyer appreciation parties
      - (two tickets can't appreciate the whole committee)

# Fundraising – In Kind Donations

- Can be for use or for auction
- An in-kind contribution form must be filled out completely for all donated items
  - Accounting office has standard in-kind donation forms if you need them
- Specific to auctions:
  - Donor of the item **MUST** provide fair market value of the item
  - FMV must be displayed with the auction item



# Fundraising – “please don’t...”s

- Do not use Show funds to purchase items to auction – there will be no reimbursements
- Do not engage in auction consignments
- Do not put “All proceeds go directly to the Ed Fund” unless you are selling scholarships
- Do not use a committee event to sell or auction firearms
- No gambling/games of chance
  - Poker nights, Texas Hold’em, Casino nights: Must state that they are “just for fun”
- No raffles, or anything that looks/smells/acts like a raffle
- No auction of alcohol at committee fundraisers,
  - Illegal without a special permit– violation of TABC regulations
- No sale of alcohol or alcohol drink tickets by HLSR at committee fundraisers
  - Corral Club, Inc. can serve as caterer for a committee fundraiser

A blue-tinted photograph of a group of people at an outdoor event, possibly a fair or festival. The word "Budgeting" is overlaid in large, bold, white text in the center of the image. The background shows several people, some wearing white t-shirts, and a large, light-colored structure, possibly a tent or a large piece of art, in the background.

# Budgeting

# Budget Timeline

- Years
  - Show Year: May – April

June 30 <sup>th</sup>	2024 Budget Requests due
August 7 <sup>th</sup>	Mgmt review of full budget
August 16 <sup>th</sup>	Budget Committee Meeting
August 22 <sup>nd</sup>	Executive Committee Meeting
September 1 <sup>st</sup>	Happy New (fiscal) Year

- Fiscal Year: September – August



**LET'S  
RODEO**

**FEB. 27 – MARCH 17, 2024**

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