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*Air Force Association
American Ex-Prisoners
of War
American Legion
AMVETS
Association of the United
States Army
Disabled American
Veterans
Fleet Reserve
Association
Korean War Veterans
Association
Legion of Valor of the
U.S., Inc.
Marine Corps League
Military Order of the
Purple Heart
Military Officers
Association of America
Military Order of the
World Wars
National Association for
Uniformed Services
Navy Seabee Veterans of
America
Non-Commissioned
Officers Association
Paralyzed Veterans of
America
Reserve Officers
Association
Roanoke Valley Veterans
Council
Veterans of Foreign Wars
Vietnam Veterans of
America
Virginia National Guard
Association
Women Marines
Association*

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July 13, 2011

Amended
December 20, 2011

COMMONWEALTH OF VIRGINIA JOINT LEADERSHIP COUNCIL OF VETERANS SERVICE ORGANIZATIONS

2012 POSITION PAPER

Sales and Use Tax Exemption for Veterans Service Organizations

1. **Objective:** To establish an exemption from the state and local Sales or Use Taxes for non-resale items in the Code of Virginia for nationally organized and recognized Veterans Service Organizations (VSOs).
2. **Background:**
 - The IRS has recognized nationally organized and recognized VSOs as exempt from federal income tax under section 501(c)(19) of the Internal Revenue Code.
 - §58.1-609.11 of the Code of Virginia provides an exemption for sales or use taxes for entities exempt from federal income taxation under 501(c)(3) or 501(c)(4) of the Internal Revenue Code.
 - VSOs classified as 501(c)(19) perform essentially the same functions as those classified as 501(c)(3) or 501(c)(4).
 - For example, the VFW Congressional Charter establishes “charitable” as one of the purposes of the organization.
 - In 2010, the VFW Department of Virginia and Auxiliaries reported the expenditure of \$1,852,292 and a donation of 339,052 volunteer hours in support of numerous community and youth activities for the citizens of the Commonwealth.
 - Similarly, in 2010, the American Legion reported the expenditure of \$2,561,917 and a donation of 526,338 volunteer hours in support of community and youth service.
 - In the 2010-2011 year, the Paralyzed Veterans of America donated 13,637 hours in support of community service.
 - Other smaller VSOs also contribute some dollars and hours in support of community and youth service.
3. **Discussion:**
 - Given the level of community and youth service performed by VSOs as expressed in dollars and hours, VSOs should be accorded the same sales and use tax exemption as other 501(c)(3) and 501(c)(4) organizations.
 - An exemption would apply to all VSOs, but would primarily benefit VSO Posts/Chapters, etc. that own/operate a permanent facility.
 - An exemption would free sales and use tax dollars spent on fuel, maintenance, cleaning, office supplies, and other items not for resale for additional community and youth service expenditures.
 - The estimate exemptions would total approximately \$100,000 for all VSOs in Virginia.
 - The neighboring states of Maryland, West Virginia, and Tennessee provide sales and use tax exemption for nationally organized and recognized VSOs.
 - Providing sales and use tax exemption for non-resale items to VSOs will continue Virginia’s move toward becoming “the most veteran-friendly state in the nation” and put all VSOs on an equal basis with other 501(C)(3) and 501 (C)(4) groups.
4. **Recommendation:** That the Governor and General Assembly take no action for the 2012 General Assembly session, but, when state resources permit, establish a Sales and Use Tax Exemption for non-resale items in the Code of Virginia for nationally organized and recognized VSOs.