



STATE BOARD OF EQUALIZATION

September 21, 1971

S--- of the G--- G---
U---P--- C---
XXX --- Street
--- ---, California

Attention: Mr. J. M. M---
Office of Finance

Dear Mr. M---:

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This is in response to Rev. D--- C. E---'s letter dated July 30, 1971, which states that we should respond to you. We have also received Attorney D--- J. M---'s letter dated August 9, 1971, on the same subject matter. Both of the letters were referred to the undersigned for reply.

U--- C---, C--- and R--- (U---) is a corporation organized pursuant to the general Nonprofit Corporation Law of California. The articles of incorporation state that:

“The specific and primary purposes of this corporation are to manage, administer and operate religious and charitable camps, conferences and retreats; to provide consulting services, programming and leadership training for religious education at such camps, conferences and retreats; and to solicit, receive, administer and expend funds and carry on activities for the aid, support and use of such camps, conferences and retreats.”

Pursuant to these purposes, U--- operates a camp program for several cooperating denominations in Northern California. Sales tax has been reported and paid by U--- on the gross receipts from the sale of meals, with the exception of those sales exempted by Section 6363 of the California Sales and Use Tax Law.

U--- now requests that all meals served at the campgrounds be held exempt from sales tax as within the exemption provided by Section 6363.5 of the Sales and Use Tax Law.

As to the Section 6363 exemption (meals served to students by a school), we agree with the letter sent to U--- on August 14, 1970 by Supervising Auditor, J. A. Najarian, which advised that the Section 6363 exemption would apply to U---'s sales of meals to the extent the camp could be regarded as a school or educational institution and the sales were to students at the school. To qualify as a school or educational institution, the camp must conduct regularly scheduled classes, with required attendance, in charge of qualified instructors (Regulation 1506(e), copy enclosed). To qualify as students, the camp participants must be formally enrolled in the classes (California Tax Service Annotation 550.1440). If U---'s sales of meals come within the above guidelines, to that extent gross receipts received from the sales of meals are exempt from sales tax.

As to the Section 6363.5 exemption (religious organization meals), in our opinion none of the meals served by U--- are within this exemption. While the documentary evidence submitted establishes U--- as a religious organization, this is only one of the requirements of Section 6363.5. The most obvious reason why the exemption does not apply is the failure to meet the statutory requirement that "...the purpose in serving the meals is to obtain revenue for the functions and activities of the organization..."

The revenue from the meals served at U---'s camp are used to recover the cost of the meals. Our experience with such camps is that the meals would be served even if the revenue from the meals did not fully cover their cost. The camp participants must be fed, and it is usually impossible, or at least impractical, for them to obtain meals elsewhere while attending camp. In no sense are the meals served for the specific purpose of raising revenue, as is required by the express language of the statute. The meals served in camps such as U---'s are a continuing necessity of camp life and the revenue usually covers the cost of meals, but such meals would, in all likelihood, be served even if a loss were incurred. U---'s meals are a necessary part of a continuing program of religious education, as stated in the articles of incorporation, not a fund-raising activity.

Furthermore, the language "social or other gathering" in Section 6363.5 applies to activities such as church luncheons or dinners, conducted for the express purpose of fund raising. It does not include activities within which the meals are an incidental part of continuing operations which have as their purpose religious education, and which would be held even if no financial profit were expected.

You will note that in California Tax Service Annotation 550.104 (wherein a church-operated café was held not exempt within Section 6363.5), we have viewed Section 6363.5 as not applying to regular, continued operations which are actually in competition with similar operations of nonreligious organizations. We believe that U---'s camp meals are indistinguishable from meals served at nonreligious camps, in that neither are served only for the purpose of fund raising.

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Summarily, where the specific requirements are met, Section 6363 will apply to U---'s camp meals; Section 6363.5 does not apply to U---'s camp meals.

If you have further questions on this matter, feel free to write the undersigned.

Very truly yours,

Donald J. Hennessy
Legal Counsel

DJH:lb
Enclosure

Cc: Mr. D--- J. M---