



## Gift Shop Guidelines

Updated: May 2022

Many Archdiocesan parishes and missions sell goods for the convenience of their members. The shops range in size from a small closet to a full size room. Most shops are run by volunteers with oversight by the parish or mission business manager. The following guidelines should be considered for any parish and mission that has a store.

**GOVERNANCE-** The store should operate as a parish/mission ministry under the Tax ID of the parish/mission and under the guidance of the pastor. For these operations to be tax-exempt, refer to state and federal tax sections below. **Note:** For-profit gift shops are prohibited from operating on Archdiocesan property, as they may jeopardize the tax-exempt status of the parish [Publication 1828 \(Rev. 8-2015\) \(irs.gov\)](#).

**ACCOUNTING -** Receipts collected from the gift shop should be deposited into a parish or mission operating bank account and recorded properly on the general ledger.

- Gift shop income and expenses may be booked to an exchange account or other income/expense, if generating income for the organization. As the proceeds are used by a ministry or the parish, the exchange account should be cleared out. Net proceeds can be used to offset ministry expenses, such as Religious Education. Net proceeds that are used to pay for parish operating expenses should be posted to Other Income/Expenses.
- The gift shop petty cash should be recorded on the balance sheet and reconciled regularly.

### TAXES -

**State:** Refer to the Georgia State webpage: <https://dor.georgia.gov/taxes/business-taxes/sales-use-tax/tax-exempt-nonprofit-organizations> for updates and official guidance from the state.

Per the Georgia State Sales and Use Tax regulations (O.C.G.A. 48-8-3 (15)(A) as of 2021, a religious institution and nonprofit private school do not have to collect sales tax when following applies:

- Sales are made as part of a specific fundraiser;
- Total fundraising days do not exceed 30 days in any one calendar year;
- Net profits or gross sales from the sale do not benefit any private person;
- Net profits or gross sales are only used for relief to the aged, church youth activities, religious instruction or worship, or construction or repair of church buildings.

If the exemptions are not met, the following general state regulations should be applied.

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- The seller (parish, mission) must pay sales tax on all inventory purchased for re-sale, to the extent that the items are purchased from a business that charges sales tax. If vendor does not charge sales tax, the seller must remit to the Georgia Department of Revenue sales tax on re-sale items. The parish/mission may charge the purchaser or absorb the tax.
- Generally, if items are donated sales tax must be charged, unless the purchaser provides a properly completed exemption certificate.
- When applicable, remit Georgia Sales and Use Tax Form ST-3 in a timely manner, either monthly or quarterly.

Note: There is no dollar amount exemption threshold. See the Georgia State webpage for full guidelines <https://dor.georgia.gov/taxes/business-taxes/sales-use-tax/tax-exempt-nonprofit-organizations>

## Federal:

Per the IRS regulations (Publication 598), as of 2022, the parish will not be subject to Unrelated Business Income Tax (UBIT) if the “activity” meets any of the following:

- 1) **Volunteer Labor:** substantially all the work is performed for the organization without compensation, or
- 2) **Convenience of Members:** the activity is conducted by the organization primarily for the convenience of its parishioners, or
- 3) **Selling Donated Merchandise:** substantially all of items for sale were received as gifts or contributions.

Refer to the IRS webpage: <https://www.irs.gov/charities-non-profits/charitable-organizations/unrelated-business-income-tax-exceptions-and-exclusions> for updates.

**SALES & CASH RECEIPTS** – Handling, managing and safeguarding cash is critical. The parish should consider the cash controls that are described in the Accounting Best Practices document, which can be found on the Archdiocese Finance office website. A summary of these controls can be found at:

<https://archatl.com/offices/finance/policies-best-practices-procedures/>

- All sales should be receipted.
- When summarizing gift shop sales and funds, cash should be under dual-control and placed in tamper proof bags in the drop safe for inclusion in the count process.
- If a credit card processing device is used, we recommend that it be obtained through the parish’s online giving vendor, such as Our Sunday Visitor, Vanco or ParishSoft. We do not recommend use of Apple’s Square device, given the availability, and ease of potential fraudulent use.
- A reconciliation should be done between the gift shop sales/receipts log and the deposits recorded in the general ledger.

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## INVENTORY –

- The purchase of inventory for the gift shop should be paid for by check whenever possible, although online purchases may be paid for using a parish credit card or Bill.com. We recommend purchasing items directly from vendors, rather than reimbursing an individual for their expenses. The pastor should be involved and approve of inventory purchases. See Best Practices for more detailed guidelines.
- Product pricing of items should be established with a slight margin to cover costs (including shipping costs and sales tax).
- Inventory of the gift shop should be taken at least annually to help assess the reasonableness of the gift shop exchange account. The inventory should be documented and records should be retained.
- A responsible party should conduct inventory spot checks periodically throughout the year.

## VOLUNTEERS & VENDORS

- Screening of volunteers: Contact the HR Office at 404-920-7480 for proper procedures on screening volunteers who work with cash or in the gift shop. The Archdiocese's Safe Environment Coordinator User Manual states: *Any individual who deals with money must have a credit check run.* [Safe Environment Coordinator User Manual 2021 - Flipbook - Page 1 \(paperturn-view.com\)](#) See page 5, Section IV D.
- 1099s: Any vendors who are paid for services should be issued a 1099; vendors who provide tangible goods only (books, products, etc.) should not be issued a 1099.

**RISKS** - The risks associated with gift shops are: incorrect revenues, incorrect financial statements, theft, and sales tax issues.

Should you have any questions, please contact the Department of Finance's Internal Audit or Financial Services. [Staff and Contact - Roman Catholic Archdiocese of Atlanta | Atlanta, GA \(archatl.com\)](#)