

CHAPTER 11

TAXES

I. PURPOSE

- This chapter identifies categories of tax liability that sub-recipients usually face, possible available tax exemptions, and responsibilities for tax liabilities. Fines and other costs arising from late or non-payment of taxes are not allowable expenses and therefore are the sole responsibility of sub-recipients.

II. CATEGORIES OF TAX LIABILITY

A. FEDERAL INCOME TAXES

- Community development organizations may qualify as a charitable organization for an exemption from federal income taxes on net income under Subsection (c) (3) of Section 5-1 of the Internal Revenue Code. Specifically, Section 501 (c) (3) exemptions may be appropriate for sub-recipients whose activities benefit low and moderate-income members of the community.
- To determine whether your organization qualifies for a 501 (c) (3) exemption, an application (package 1023) must be filed with the Internal Revenue Service (IRS). Package 1023 containing forms and instructions can be obtained from the IRS.

B. STATE OF FLORIDA SALES TAX

- State sales tax is not an allowable expense unless the sub-recipients has applied for and been denied tax-exempt status. (See Attachment A for a copy of the application for state sales tax exemption and consumer's refund permit: Form DR-5 R. 11/10.) Sub-recipients must provide DHCD with proof that tax-exempt status was applied for and was subsequently denied.

C. PAYROLL TAXES

- It is the responsibility of the sub-recipient to cover all payroll taxes chargeable to the contract and to provide proof of such payment to DHCD. Failure to provide such proof will result in the suspension of the sub-recipient's contract with Miami-Dade County.