

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

WWW.WINDOW.STATE.TX.US



June 18, 2008

JUN 23 2008

Mr. Roy J. Grona  
Veterans of Foreign Wars of the  
United States Department of Texas  
P.O. Box 14468  
Austin, Texas 78761

Dear Mr. Grona:

This is in response to your letter inquiring about the franchise tax responsibilities of the 416 VFW Posts under your jurisdiction in Texas.

You specifically included a copy of a letter from our office that was recently sent to VFW Post 8787 regarding its franchise tax responsibilities in Texas.

VFW Post 8787, Taxpayer No. 17460665429, has qualified for exemption from Texas *franchise tax* effective Jan. 1, 2008, and from the Texas *sales and use tax* effective June 17, 1981, as a 501(c)(19) group organization. So, the information we have on file of this particular VFW Post has been updated to reflect the post's exempt status regarding the franchise tax and sales tax. The exemption does not extend to hotel occupancy tax.

Each of the VFW Posts under the jurisdiction of the parent organization, Veterans of Foreign Wars of the United States Department of Texas, became responsible for the Texas franchise tax effective Jan. 1, 2008, due to the implementation of the legislative changes mandated by HB3. But, if each of the 416 VFW Posts are recognized subordinates under the parent organization's 501(c)(19) federal group exemption (GEN# 1723), then each of them are entitled to exemption from the Texas franchise tax and sales tax, because the Texas Tax Code provides for an exemption from the franchise tax and sales tax to organizations that have obtained federal exempt status under Section 501(c)(19) of the Internal Revenue Code.

However, the exempt status from the franchise tax is not something that automatically updates on our database, and the exempt information has to be manually entered on each Post's account. Some of the posts are already on our database and their accounts have been coded to reflect the exemption, others may not be set up on our records at all. If the post has been set up on our database, and the account has been coded to reflect the exemptions from franchise tax and sales tax, that information can be verified through our on-line Exempt Organization Search at: [http://window.state.tx.us/taxinfo/exempt/exempt\\_search.html](http://window.state.tx.us/taxinfo/exempt/exempt_search.html).

Ultimately, each of the posts should be set up separately on our database for the franchise tax responsibility with their accounts coded to reflect the exemptions from franchise tax and sales tax as 501(c)(19) group organizations. If you determine a post is not set up on our records, or is set up on our records and the account does not reflect the exemptions, the post should complete the exempt application, Form AP-204, and submit it to our office with a letter from the parent organization that confirms the post is a recognized subordinate under the 501(c)(19) federal group exemption (GEN# 1723). The application is available online at: <http://window.state.tx.us/taxinfo/exempt/index.html>.

As we discussed in our telephone conversation, the incoming mail received by our Section is very heavy at this time, and processing 416 requests for posts under your jurisdiction right now would be very difficult. So, if the Post does not find its exemptions listed on our online Exempt Search, I recommend, the requests that need to be submitted to our office be spread out over a period of time rather than sending them all at once.

Our goal is to provide you with prompt, professional service, and we would appreciate you taking a moment to complete the enclosed survey. If it is more convenient, you may complete our on-line survey at <http://aixtcp.cpa.state.tx.us/surveys/tpsuvr2/index.html>.

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If you have any questions, write to us at the Exempt Organizations Section, P.O. Box 13528, Austin, Texas, 78711-3528, send an e-mail to [exempt.orgs@cpa.state.tx.us](mailto:exempt.orgs@cpa.state.tx.us), or call us toll-free at (800) 531-5441, extension 3-4142. There are also publications and other helpful information are online at <http://www.window.state.tx.us/taxinfo/exempt>.

Sincerely,

A handwritten signature in black ink, appearing to read "Wanda K. Carter". The signature is fluid and cursive, with a prominent initial "W" and a stylized "C" at the end.

Wanda K. Carter  
Exempt Organizations Section