

**SALES TAX
COLLECTION AND
REMITTANCE
WORKSHOP**

September 21, 2012

8:30-10:30

TOPICS OF DISCUSSION

- What is Texas Sales Tax?
- Does the University have a current UPPS?
- Have Procedures been written to assist University Departments?
- Texas Sales Tax Rates
- Definitions of Taxable and Non-Taxable Items
- Is the University exempt from paying Texas Sales Tax?
- Sales Tax Calculation

TOPICS OF DISCUSSION (CONT.)

- Sales and Use Tax Exemption and Resale Certificates
- Surplus Sales
- Student Organization Sales
- Sales Tax Rules for Out-of-State Purchasers
- Sales Tax Rules on Food/Meal Purchases
- What is the process for collecting and depositing sales tax?
- Frequently Asked Questions
- Additional Available Resources

WHAT IS TEXAS SALES TAX?

- ❖ As per the State of Texas Tax Code Title 2. State Taxation, Subtitle E. Sales, Excise, and Use Taxes, Chapter 151 and the Comptroller of Public Accounts APS 008: State agencies and institutions of higher education must collect all applicable sales tax when making sales to the public:
 - State 6.25%
 - City (.25% - 2%)
 - Transit authority (.25% - 1%)
 - County (.5% - 1.5%) and
 - Special purpose district (.125% - 2%)

DOES THE UNIVERSITY HAVE A U.P.P.S. COVERING SALES TAX?

- ❖ A proposed U.P.P.S. is circulating amongst the Finance & Support Services Division and should be released later in FY2013

HAVE PROCEDURES BEEN WRITTEN TO ASSIST UNIVERSITY DEPARTMENTS?

- ❖ A Sales Tax Procedures Manual has been drafted and is being reviewed
- ❖ The final version should be available on our website later this fall at:

[http://www.txstate.edu/payroll/taxspec/
TX-Sales-Tax.html](http://www.txstate.edu/payroll/taxspec/TX-Sales-Tax.html)

TEXAS SALES TAX RATES



❖ Current Tax Rates for Texas State University-San Marcos and Round Rock campuses are both 8.25%

❖ Current Sales Tax Rates are available on the State Comptroller's website at:

<http://www.window.state.tx.us/taxinfo/local/index.html>

DEFINITIONS OF TAXABLE AND NON-TAXABLE ITEMS

- ❖ Taxable Items - Tax must be collected on all cash sales involving tangible, personal property. The State Comptroller defines this as personal property that can be seen, weighed, measured, felt or touched, or that is perceptible to the senses. See Texas Tax Code Section 151.009.
- ❖ Non-Taxable Items - No tax is required for many items.

TAXABLE ITEMS

- ❖ Clothing - shirts, hats, etc sold by campus departments or bookstore
- ❖ Computer Programs - sold by ITAC, campus departments or bookstore
- ❖ Food Items - sold in concession stands, vending machines, campus stores or catered functions to for-profit groups
- ❖ Books - sold by departments, library or campus bookstore
- ❖ Rentals - canoes, tubes, towels, etc. rented to visitors to the San Marcos River and the Recreation Center

TAXABLE ITEMS (CONT.)

- ❖ Parking - sales tax is due for charges to the public
- ❖ Laundry - sales tax is due on coin-operated washing machines and dryers
- ❖ Telecommunication - sales tax is due on long distance services
- ❖ Shipping Charges - sales tax is due on shipping charges

NON-TAXABLE ITEMS

- ❖ Conferences for educational purposes
- ❖ Books, pamphlets, clothing, meals, etc. included in cost of registration
- ❖ Books, CD's, pamphlets, clothing, meals, etc. sold separately are taxable
- ❖ Booth rental
- ❖ Dues
- ❖ Fines & Penalties
- ❖ Subscriptions - 6 months or longer which are mailed second class

NON-TAXABLE ITEMS (CONT.)

- ❖ Advertising sold
- ❖ Publications
 - Newspapers
 - Magazines

IS THE UNIVERSITY EXEMPT FROM TEXAS SALES TAX?

- ❖ Yes, the University is exempt from paying Texas sales tax when goods or services are purchased
- ❖ The University collects sales tax from sales of goods and services on-campus and remits to the State of Texas

SALES TAX CALCULATION


- ❖ Tax Calculated Based on Gross Sales: Multiply total taxable sales x current sales tax rate

❖ Book Sale		\$50
❖ Tax rate	X .0825	
❖ Sales Tax	\$ 4.13	
❖ Total Sale		\$54.13

- ❖ Tax Included: Divide the total taxable sales by the sales tax rate to determine the net taxable sale

❖ T-Shirt including tax	\$15
❖ Tax rate +1	<u>1.0825</u>
❖ Net Sale	\$13.86
❖ Tax	\$1.14

SALES AND USE TAX EXEMPTION CERTIFICATE

 TEXAS
Sales and Use Tax Exemption Certification
This certificate does not require a number to be valid.

Name of purchaser, firm or agency Texas State University-San Marcos	
Address (Street & number, P.O. Box or Rural number) 601 University Drive	Phone (Area code and number) (512) 246-2543
City, State, ZIP code San Marcos, TX 78666	

I, the purchaser named above, claim an exemption from payment of sales and use taxes (for the purchase of taxable items described below or on the attached order or invoice) from:

Seller: _____


Street address: _____ City, State, ZIP code: _____

Description of items to be purchased or on the attached order or invoice:

Purchaser claims this exemption for the following reason:
Texas State University-San Marcos is a state university of higher education and is exempt from state sales tax on items purchased by University personnel or other qualified persons to be used for official University business in accordance with the University's mission of education and research.

I understand that I will be liable for payment of all state and local sales or use taxes which may become due for failure to comply with the provisions of the Tax Code and/or all applicable law.

I understand that it is a criminal offense to give an exemption certificate to the seller for taxable items that I know, at the time of purchase, will be used by a reseller other than that expressed on this certificate, and depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree.

 Purchaser	_____ Title	_____ Date
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NOTE: This certificate cannot be issued for the purchase, lease, or rental of a motor vehicle.
THIS CERTIFICATE DOES NOT REQUIRE A NUMBER TO BE VALID.
Sales and Use Tax "Exemption Numbers" or "Tax Exempt" Numbers do not exist.

This certificate should be furnished to the supplier. Do not send the completed certificate to the Comptroller of Public Accounts.

This form is available on our website at:

http://www.txstate.edu/payroll/taxspec/TX-Sales-Tax/contentParagraph/00/content_files/file0/Texas%20Sales%20&%20Use%20Tax%20Exemption%20Certification.pdf

SALES AND USE TAX EXEMPTION CERTIFICATE

“I understand that it is a criminal offense to give an exemption certificate to the seller for taxable items that I know, at the time of purchase, will be used in a manner other than that expressed in this certificate, and depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree.”

SALES TAX EXEMPTION CERTIFICATES ACCEPTED FOR ON-CAMPUS PURCHASES

- ❖ State Agencies and other exempt organizations may present a sales and use tax exemption certificate when purchasing goods and services on campus
 - The certificate must be kept on file by the selling department following the retention schedule
 - The certificate has no required Texas Sales Tax Exemption number
 - The certificate must be signed by the purchaser

SALES TAX EXEMPTION CERTIFICATES USED FOR OFF-CAMPUS PURCHASES

- ❖ Campus departments must present a Texas sales and use tax exemption certificate when purchasing goods and services off-campus
 - This certificate does not require a number to be valid, however, if asked for a number, use the University's Sales Tax number:
1-74-6002248-0
 - The certificate must be completed and signed by the purchaser

SALES TAX AND USE RESALE CERTIFICATE

 **Texas Sales and Use Tax Resale Certificate**

Name of purchaser, firm or agency as shown on invoice Texas State University-San Marcos	Phone (area code and number) (512) 245-2543
Address (Street, number, P.O. Box or Route number) 601 University Drive	
City, State, ZIP code San Marcos, TX 78688	
Texas Sales and Use Tax Permit Number (print number if applicable) 17460022480	
Out of state retailer's registration number or Federal Taxpayer Registry (RFD) number for retailers based in Mexico (Retailers based in Mexico must also provide a copy of their Mexican registration form to the seller.)	

I, the purchaser named above, claim the right to make a non-taxable purchase (for resale of the taxable items described below or on the attached order or invoice) from:

Seller _____
Street address _____
City, State, ZIP code _____

Descriptive of items to be purchased on the attached order or invoice:

Description of the type of business activity generally engaged in or type of items normally sold by the purchaser:
Items purchased by University personnel or other qualified persons for official Texas State University-San Marcos purposes in accordance with its mission of education and research. May be used only by Texas State federal tax number 74-6003248.

The taxable items described above, or on the attached order or invoice, will be resold, rented or leased by me within the geographical limits of the United States of America, its territories and possessions or within the geographical limits of the United Mexican States, in their present form or attached to other taxable items to be sold.

I understand that if I make any use of the items other than resale, demonstration or display while holding them for sale, lease or rental, I must pay sales tax on the items at the time of use based upon either the purchase price or the fair market rental value for the period of time used.

I understand that it is a criminal offense to give a resale certificate to the seller for taxable items that I have, at the time of purchase, not purchased for use (rather than for the purpose of resale, lease or rental, and depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree).

Purchaser: sign here	Seller:	Date:
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This certificate should be furnished to the supplier. Do not send the completed certificate to the Comptroller of Public Accounts.

This form is available on our website at:
http://www.txstate.edu/payroll/taxspec/TX-Sales-Tax/contentParagraph/00/content_files/file/Texas%20Sales%20&%20Use%20Tax%20Resale%20Certificate.pdf

TEXAS SALES AND USE TAX RESALE CERTIFICATE (CONT.)

“I understand that it is a criminal offense to give a resale certificate to the seller for taxable items that I know, at the time of purchase, are purchased for use rather than for the purpose of resale, lease or rental, and depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree. “

RESALE TAX EXEMPTION CERTIFICATES FOR ON AND OFF-CAMPUS PURCHASES

- ❖ Purchasers must present a Texas sales and use resale certificate when purchasing goods and services intended for resale
 - This certificate does require a number to be valid. For Texas State purchasers, the Resale Tax Exemption number is:
1-74-6002248-0
 - The certificate must be completed and signed by the purchaser

SURPLUS SALES

- ❖ All surplus property must be sold by the University Materials Management Department.
 - Sales of computers, printers, typewriters and other tangible, personal property to non-state agencies should be charged sales tax, unless proof of tax exemption is provided.
 - Sales of vehicles licensed for highway use are exempt from sales tax as they are subject to the Motor Vehicle Sales Tax collected by the county tax assessor-collector.

STUDENT ORGANIZATIONS SALES

- ❖ University Student Organizations may hold a “One-Day, Tax-Free Sale” each month.
 - Primary purpose of the organization must “not” be to engage in business or generate a profit
 - Purpose of the sale must be to raise funds for the organization
 - Individual item sales must not exceed \$5,000 unless they are manufactured by the organization or donated to the organization and not sold back to the donor

SALES TAX RULES FOR OUT-OF-STATE PURCHASERS

- ❖ Sales Tax is charged based on where the possession of the item takes place
 - If a department sells an item to an out-of-state purchaser and ships to an out-of-state address, the sale will be tax exempt
 - If a department sells an item to an out-of state purchaser and ships to an in-state address, the sale will be taxable

SALES TAX RULES FOR OUT-OF- STATE PURCHASERS (CONT.)

- If a department sells an item in person even though they may live out-of-state, the sale will be taxable

SALES TAX RULES ON UNIVERSITY FOOD/MEAL PURCHASES?

- ❖ If the University is purchasing directly by using a University P-Card or Purchase Order, a completed Sales Tax Exemption Certificate should be provided.
- ❖ Current University Policies (UPPS's and PPS's) are being re-written and updated.

SALES TAX RULES ON UNIVERSITY FOOD/MEAL PURCHASES (CONT.)

- ❖ If an employee will be reimbursed by the University, they are not eligible to use a Sales Tax Exemption Certificate and should include any sales tax paid in their reimbursement request.
- ❖ If the purchase is for personal use, the buyer is not eligible to use a Sales Tax Exemption Certificate and must pay the tax.

WHAT IS THE PROCESS FOR COLLECTING AND DEPOSITING SALES TAX?

- ❖ Departments are responsible for collection of revenue and related sales tax liability
- ❖ Deposits must be made within three business days to the Cashier's Office in Student Business Services

WHAT IS THE PROCESS FOR COLLECTING AND DEPOSITING SALES TAX? (CONT.)

- ❖ Departments should follow UPPS. 03.01.05 University Income Recognition and Associated Cash-Handling Procedures when depositing these funds
- ❖ Student Business Services will prepare the monthly State Sales Tax Return and submit to the State by the 20th day of the following month

FREQUENTLY ASKED QUESTIONS

- ❖ What is taxable?
- ❖ How much sales tax do I collect from my customers?
- ❖ What tax rate do I use?
- ❖ Am I required to separately state the sales tax amount to my customers?
- ❖ Is rounding permitted when computing sales tax?
- ❖ If I do not collect the sales tax or collect an incorrect amount, who is responsible for paying sales tax to Student Business Services' Cashiers Office, who in turn will deposit the taxes with the State Comptroller's Office?
- ❖ Are the delivery or shipping charges taxable?
- ❖ What is the retention schedule of Sales Tax Records maintained by University Departments?

WHAT IS TAXABLE?

- ❖ Texas tax law refers to tangible personal property and taxable services as taxable items. Each sale of a taxable item is taxable unless a specific exemption applies.

HOW MUCH SALES TAX DO I COLLECT FROM MY CUSTOMERS?

- ❖ You should calculate the amount of sales tax by multiplying the tax rate by the sales price of the taxable item. A Tax Rate Locator tool is available on the Window on State Government at:
<https://ourcpa.cpa.state.tx.us/atj/addresslookup.jsp>

- ❖ Sales tax = sales price of a taxable item multiplied by the tax rate

Ex: The Math Department may sell a t-shirt for \$10 and should use the sales tax rate of 8.25% for San Marcos - located in Hays County. The amount of \$.83 sales tax should be computed. The total price charged to the customer should be \$10.83.

WHAT TAX RATE DO I USE?

- ❖ The Texas state sales and use tax rate is 6.25%, but local taxing jurisdictions (cities, counties, special purpose districts, and transit authorities) may also impose sales and use tax up to 2% for a total maximum combined rate of 8.25%. You will be required to collect both state and local sales and use tax.
- ❖ For information about the tax rate for a specific area, see Local Sales and Use Tax Rate Information on the Comptroller's website.

AM I REQUIRED TO SEPARATELY STATE THE SALES TAX AMOUNT TO MY CUSTOMERS?

- ❖ Yes, you must state separately the sales tax amount on your invoice or receipt unless you provide a written statement to the customer that the sales price includes sales tax. The "tax included" statement must be displayed where people would normally be advised of the terms of the sale (e.g., brochures, invoices, contracts, signage). If you use a written statement that sales tax is included in the sales price, you have collected sales tax and must report the collected tax by backing it out of the total amount received.

IS ROUNDING PERMITTED WHEN COMPUTING SALES TAX?

- ❖ When you compute the sales tax by multiplying the tax rate against the sales price, you should go out to the third decimal place. If the third decimal place is equal to or greater than 5, you should round up to the next cent. If the third decimal place is 4 or less, then you should round down to the next cent. For example, you sell a taxable item for \$250 and must charge 8.25% tax. If you multiply the tax rate against the sale price, it is \$20.625. Because the third decimal place is a 5, you would round up and charge \$20.63. You can also use a rate chart.

IF I DO NOT COLLECT THE SALES TAX OR COLLECT AN INCORRECT AMOUNT, WHO IS RESPONSIBLE FOR PAYING SALES TAX TO SBS CASHIERS OFFICE, WHO WILL DEPOSIT THE TAXES WITH THE STATE?

- ❖ As a seller, you are responsible for collecting and remitting the correct amount to Student Business Services' Cashiers Office, who in turn will deposit the taxes with the State Comptroller's Office. If you do not collect and remit the correct amount, your department will owe any additional tax plus you may be assessed penalties and interest.

ARE THE DELIVERY OR SHIPPING CHARGES TAXABLE?

- ❖ Shipping and handling charges are taxable if the charges are associated with the sale of taxable goods or service.
- ❖ For example, you sell a sofa to a customer for \$500. You agree to deliver the sofa and charge separate fee of \$50 for delivery. Because your sale of the sofa is taxable, your \$50 delivery charge is also taxable. You should collect sales tax on \$550.
- ❖ In contrast, if you sold a similar sofa for \$500 to another customer who issues you a properly completed resale or exemption certificate, then your sale and the delivery charge are exempt. If you deliver the sofa for a fee of \$50, the delivery charge is not taxable. You do not collect sales tax on the \$550.

ARE THE DELIVERY OR SHIPPING CHARGES TAXABLE? (CONT.)

- ❖ In contrast, if you sold a similar sofa for \$500 to another customer who issues you a properly completed resale or exemption certificate, then your sale and the delivery charge are exempt. If you deliver the sofa for a fee of \$50, the delivery charge is not taxable. You do not collect sales tax on the \$550.

ARE THE DELIVERY OR SHIPPING CHARGES TAXABLE? (CONT.)

- ❖ Note: "Delivery," "shipping," or "postage" on an invoice represents delivery charges. Please refer to [Rule 3.303](#). Please note that separately stated charges for postage are not taxable when billed by the seller to a client if the cost of the postage was incurred by the seller at the request of the client to distribute tangible personal property to third party recipients designated by the seller's client.

WHAT IS THE RETENTION SCHEDULE FOR SALES TAX RECORDS?

- ❖ Sales Tax records should be retained by the campus departments for the current year and the previous 3 years.

ADDITIONAL AVAILABLE RESOURCES

- ❖ For information on collecting and reporting local sales and use tax, ask for publication 94-105 "Guidelines for Collecting Local Sales and Use Tax" (PDF, 9.74MB)
- ❖ For a list of local tax rates ask for publication 96-132 "Texas Sales and Use Tax Rates." The state also provides tax rate cards for all combined tax rates. The tax rate for sales and use taxes are the same. See Purchases/Use Tax for additional information.