

Texas State University Sales Tax Manual

Texas State University-San Marcos is exempt from *paying* State of Texas sales tax on purchases. However, they are not exempt from *collecting* tax on sales made by the University.

When a university department sells a taxable item, it is responsible for collecting the sales tax, unless proof of tax exemption is obtained. Sales tax exemption certificates are available on the Payroll and Tax Compliance website – Tax Specialist page at:

<http://www.txstate.edu/payroll/taxspec/forms/contentParagraph/013/document/Texas+Sales+%26+Use+Tax+Exemption+Certification.pdf>

They should be kept on file by the selling department following the retention schedule. The department must collect the tax and deposit it through the Cashier's Office. Sales tax should be charged on all taxable items and the funds should be deposited into SAP account 201300. If the purchaser is sales tax exempt, record the sale as tax exempt, only if they provide a tax exempt certificate or a sales tax exemption certificate is already on file.

There is no such thing as a pass through sale. We cannot pass on the University's exempt sales tax status to anyone else. For example, a university department cannot purchase shirts and then sell them to non tax exempt persons without collecting the sales tax.

Student Business Services remits the sales tax collected to the State Comptroller's Office as required. There is no need for the department to fill out a sales tax form or to remit the tax to the state. The tax rates vary from county to county and sellers should use the appropriate tax rate for their location. The current tax rate for the San Marcos campus located in Hays County is 8.25% and for the Round Rock campus located in Williamson County is 8.25%. For a list of local tax rates ask for publication <http://www.window.state.tx.us/taxinfo/local/city.html>

Below is a list of common taxable and nontaxable items sold by university departments.

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.

- **Clothing** – Purchases of clothing sold in the bookstore or by campus departments are taxable.
- **Computer programs** – Purchases of various computer programs in the bookstore or by campus departments are taxable.
- **Food Items** - All prepared food sold in dining halls and the LBJ Student Center is taxable. All meal plans sold by Auxiliary Services is taxable. All packaged, ready-to-eat food is taxable. Food products that require additional preparation by the purchaser, such as cooking or thawing, are not taxed (e.g., a ready-to-eat bag of popcorn is taxable; packaged popcorn to prepare at home is not taxed).
- **Books** – Purchases of books sold in the bookstore or by campus departments are taxable.

- **Rentals** - Rentals of tangible personal property are taxable. For example, rentals of canoes, tubes, tents, towels and other sports equipment to students, staff, or faculty are taxable. However, if the rental item is required for class use, it is exempt from sales tax. Rental of lockers are not taxable.
- **Tax must be collected on all taxable services.** Please see Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule §3.298 , Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule §3.310 and Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule §3.3147 as well as Tax Publication 96-259 for more information.
 1. **Amusement Services** - The state defines amusement services as entertainment, recreation, sport, pastime, diversion, or enjoyment that is a pleasurable occupation of the senses. This definition includes, but is not limited to, live or recorded performances such as ballet and musical concerts or theaters (movies and plays); exhibits and displays such as arts and crafts shows; and spectator sports such as rodeos, football, baseball, soccer, etc.
 The University is generally exempt from collecting tax on amusement services that are exclusively provided by the university and no part of the proceeds goes to the benefit of a private individual (see Texas Tax Code, § 151.3101(a)(5)).
 The university may contract with performers, ticket sellers, and promoters as long as the university is “held out as the provider of the amusement.” If the university enters into a joint venture with a for-profit entity to provide the amusement in which the university shares in both profits and losses, the “exclusivity” clause of the statute is violated and sales tax will need to be collected.
 2. **Internet Access**
 3. **Parking** - Sales tax is due on the charge for parking and storage of a motor vehicle. Examples include charges for parking meters, either private or municipally owned, permits for parking or storage in lots or garages, and impound fees. Colleges, universities, and public schools are not required to collect sales tax on parking permits and fees charged to their students, faculty, or staff for parking. However, charges to the public for parking are taxable.
 4. **Laundry Services**
 5. **Telecommunication Services**
 6. **Utility Service**
 7. **Postage and Handling (Shipping Charges)** - Postage and handling also called transportation charges, freight, shipping, delivery, or convenience fees are taxable to a customer when a taxable item is sold. See Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule §3.303. These charges are considered to be services connected to the sale. Please be sure you are including tax on these fees for any items that you sell. If the sale is to an exempt organization or shipped out of state, these charges are not taxed. You must get a tax exempt certificate from Texas customers to exempt them from the tax.

Nontaxable

No tax is required for many items such as the following:

- **Room rental**
- **Conferences** - Conferences for *educational purposes* are sales tax exempt. Tax is not collected on books, pamphlets, clothing, meals, etc if these items are included in the cost of the registration. Attendees are paying for the conference and not the items. The items included in the conference registration fee should be an *insubstantial* part of the fee.
- **Books, pamphlets, clothing, meals, etc sold separately at the conference are taxable** and sales tax should be collected accordingly. These items are tangible, personal property. See Texas Tax Code Section 151.009. Examples: A conference registration fee is \$100 and includes a notebook. This would not be taxable. A conference registration fee is \$10 and includes a t-shirt. This would be looked upon as selling the t-shirt since the cost of the t-shirt is a substantial part of the registration fee, so it would be subject to sales tax.
- **Booth Rental is not taxable.**
- **Dues are not taxable.**
- **Fines & Penalties are not taxable.**
- **Subscriptions of six months or longer which are mailed second class are not taxable.**
- **Advertising sold is not taxable.**
- **Publications:**
 - a) **Newspapers** - sold or distributed by individual copy or by subscription are sales tax exempt. Newspaper is defined as a publication: printed on newsprint; whose average sales price per copy over a 30-day period does not exceed \$1.50; that is printed and distributed periodically at daily, weekly, or other short intervals of four weeks or less; for the dissemination of news of a general character and of a general interest, including advertising. Containing articles and essays of general interest by various writers and advertisements that is produced for the operator of a licensed and certificated carrier of persons and distributed by the operator to its customers during their travel on the carrier. For the dissemination of news of a general character and of a general interest that is printed on newsprint and distributed to the general public free of charge at daily, weekly, or other short intervals of four weeks or less. The term newspaper does not include magazines, handbills, circulars, flyers, sales catalogs, or the like, unless these items are distributed as a part of a newspaper and the items, after being printed, are delivered by the printer to the person responsible for the distribution of the newspaper.
 - b) **Magazines** - Subscriptions to magazines entered as periodicals class (formerly called second class) that are sold for a semiannual or longer period of time are sales tax exempt. Magazines are defined as a publication, usually paper-backed and sometimes illustrated, that appeared at regular intervals and contains stories, articles, essays by various writers, and advertisements. Individual magazine sales are taxable. Periodicals and writings published and distributed by an educational organization are subject to sales tax unless they are subscriptions of six

months or longer which are mailed as periodicals class (formerly known as second class). See Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule §3.299.

Sales Tax Exemptions

Some purchasers of taxable items qualify for a sales tax exemption because of the nature of their organization. Some are exempt because of their exemption status or because the item is being purchased for resale. See Texas Administrative Code, Title 34, Chapter 1 (3(0)) for more information about Exempt Organizations.

[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.ViewTAC?tac_view=5&ti=34&pt=1&ch=1&sch=A](http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC?tac_view=5&ti=34&pt=1&ch=1&sch=A)

University departments must obtain sales tax exemption or resale certificates from the purchaser at the time of the sale.

- This certificate should be kept on file by the selling department following the retention schedule.
- There is **an exempt number** on the resale certificate however the sales tax exempt certificate has no number.
- The purchaser must prove his/her exemption status to you.
- The certificate must have a signature on it to be valid.
- Organizations can be verified as exempt by using the State's online Exempt Organization Search. http://www.window.state.tx.us/taxinfo/exempt/exempt_search.html
- Please visit Texas Sales Tax Frequently Asked Questions about Exemptions for more information.

Student Organizations:

University student organizations affiliated with an institution of higher education can hold a one-day, tax-free sale each month.

- The organization must have a primary purpose other than engaging in business or performing an activity designed to make a profit, and
- The purpose of the sale must be to raise funds for the organization.
- The exemption does not apply to items sold for more than \$5000 unless the item is manufactured by the organization or the item is donated to the organization and not sold back to the donor.
- Items sold by student organizations for fundraising that do not meet the specifics of the aforementioned statements are subject to sales tax. The sales tax should be added to or included in the sales price.

Surplus Sales

Texas State University requires that all surplus property be sold by the Texas State Materials Management Department. Surplus property sold to any state agency is sales tax exempt.

Sales of typewriters, office furniture, construction equipment and other tangible, personal property to non-state agencies should be charged sales tax, unless proof of tax exemption is received.

Vehicles licensed for use on highways sold to non-state purchasers are exempt from sales tax. These sales are subject only to the Motor Vehicle Sales Tax which is collected by the county Tax Assessor-Collector. See Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter F

[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.ViewTAC?tac_view=5&ti=34&pt=1&ch=3&sch=O&rl=Y](http://info.sos.state.tx.us/pls/pub/readtac$ext.ViewTAC?tac_view=5&ti=34&pt=1&ch=3&sch=O&rl=Y)

Out of State Purchasers

Sales tax is charged based on where the possession of the item takes place.

- Items that are shipped to the purchaser outside of Texas are tax exempt, but documentation of the shipment should be retained with the deposit.
- If the out of state purchaser picks up the item at an event in Texas, sales tax should be collected unless the organization is tax exempt.

Example: John in Nebraska orders books to be delivered to his office in Nebraska. Jane, also from Nebraska, orders books, but decides to come by your office to pick them up. Which sale is taxable? **Jane's**- She is taking possession of the item in Texas. This can be compared to Jane going to a local bookstore to buy the items.

Other:

For other examples of common taxable items, see Texas Tax Publication 96-280 at http://www.window.state.tx.us/taxinfo/taxpubs/tx96_280.pdf

Sales Tax Calculation

The tax must be collected on the amount of the sale that is taxable. Taxable sales should be separated from nontaxable sales to perform this calculation. The total amount of taxable sales times the sales tax rate equals the sales tax amount. $\text{Taxable Sales} \times 0.0825 = \text{Sales Tax Amount}$

Example: $\$150.00 \times .0825 = \12.38

You may also set the sales price to include the sales tax amount. This must be clearly stated on any documents used to promote the sale.

$\text{Sales Price (including tax)} / (1+0.0825) = \text{Sales Price (without tax)}$

$\text{Sales Price (including tax)} - \text{Sales Price (without tax)} = \text{Sales Tax Amount}$

Example: $\$12.00 / 1.0825 = \11.09 $\$12.00 - \$11.09 = \$.91$

To check this calculation, multiply the sales price times the tax rate: $\$11.09 \times .0825 = \$.91$

If the tax on a sale is less than half a cent, no tax is collected. If the sales tax equals half a cent or more, the full one cent is collected. Sales tax on a \$.05 sale is not due because it is less than half a cent.

Texas Sales Tax Frequently Asked Questions

1. What is taxable?
2. How much sales tax do I collect from my customers?
3. What tax rate do I use?
4. Am I required to separately state the sales tax amount to my customers?
5. Is rounding permitted when computing sales tax?
6. 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?
7. Are the delivery or shipping charges taxable?

1. 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.

2. 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.

If you sell multiple taxable items on one invoice, then you must compute the tax on the total sum of the sales prices of the taxable items sold. For example, if you sell three T-shirts for \$10, \$25, and \$50, then the total sum of the sales prices is \$85. You would apply the tax rate to \$85 to calculate the sales tax. Example: 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.

3. 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](#).

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.

4. Am I required to separately state the sales tax amount to my customers?

Yes. You must separately state 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, and 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.

For example, you sell T-shirts. You are located in Austin and are required to collect 8.25% tax on your sales. You charge a customer \$50 for a T-shirt and your invoice contained a written statement that the price included sales tax. Your sales price for that T-shirt was \$46.19, and you collected \$3.81 in tax.

5. 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](#).

6. 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?

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.

7. 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.

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.

Resources

Texas Administrative Codes under Title 34 Public Finance, Part 1 Comptroller of Public Accounts, Chapter 3 Tax Administration, Subchapter O State Sales and Use Tax Rules

[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=34&pt=1&ch=3&rl=303](http://info.sos.state.tx.us/pls/pub/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=34&pt=1&ch=3&rl=303)

Tax Publications

[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=34&pt=1&ch=3&rl=303](http://info.sos.state.tx.us/pls/pub/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=34&pt=1&ch=3&rl=303)

State of Texas Tax Code

<http://www.statutes.legis.state.tx.us/Docs/TX/htm/TX.151.htm>