



TEXAS TECH UNIVERSITY™

Operating Policy and Procedure

OP 62.30: Sales Tax Collection

Date: November 9, 2009

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to establish guidelines for the collection and deposit of sales tax in compliance with rules established by the state Comptroller of Public Accounts. This OP describes and lists examples of items on which the collection of sales tax is required and provides general sales tax information.

REVIEW: This OP will be reviewed in July of odd-numbered years by the director of Tax Compliance and Reporting with recommended revisions forwarded to the assistant vice president and controller and the chief operating officer and senior vice president for administration and finance by August 15.

POLICY/PROCEDURE

1. General

- a. Although Texas Tech University (TTU) is a tax-exempt organization, the exemption applies to items purchased, not sold.
- b. Except as provided in paragraph 1.c., the sales tax applies to all items sold, including transportation and/or delivery charges when such charges are billed by the seller to the purchaser. These charges are considered services or expenses connected to the sale.
- c. Items sold to other university departments or exempt organizations are not taxable. A tax exemption certificate must be obtained from the exempt organization. Exemption certificates are available online at <http://www.window.state.tx.us/taxinfo/taxforms/01-3392.pdf>.
- d. TTU has applied for and obtained a sales tax permit from the state Comptroller of Public Accounts. The sales tax permit allows TTU to charge sales tax on the sale of all taxable items; however, a separate business operation of TTU that sells taxable items should obtain a separate sales tax permit. Examples of separate business operations of TTU include, but are not limited to the following: restaurant operations, convenience stores, computer stores, etc. All permits of TTU will have the same taxpayer number; however, each business location will have a different outlet number. To obtain a sales tax permit, contact the Tax Compliance and Reporting department. Sales tax collected on taxable sales by all locations will be remitted to the state Comptroller of Public Accounts by the Tax Compliance and Reporting department as provided in paragraph 4 below.
- e. Decisions on issues relating to sales tax are based on state of Texas statutes. Current state laws will be followed and they will supersede policies included in this OP.

2. Tax Rate

The current sales tax rate is 8.25 percent of taxable sales. This percentage should be added to all taxable items or included in the sales price.

3. Taxable and Non-taxable Sales Items

The list of taxable items is very broad. Some of the items sold or used more frequently at the university are described in this OP. Any questions regarding taxable and non-taxable sales items should be directed to the Tax Compliance and Reporting department.

a. Food Items

All prepared food sold in dining halls and the Student Union is taxable. All meal plans sold by Hospitality 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).

b. Amusement Services

TTU generally is 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.

Amusement Services Defined: 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.

c. Rentals

Rentals of tangible personal property are taxable. For example, rentals of canoes, tents, 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.

d. 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.

e. Other Sales

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.

Advertising: Advertising sold is not taxable.

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.

f. Interstate Shipments

No sales tax is collected on items that are delivered directly to out-of-state locations or on delivery charges associated with the items. To document such a sale, records must include the proper shipping document. Acceptable shipping documents include a bill of lading, a shipping invoice, or a postal receipt.

4 Method of Deposit

- a. Refer to OP 62.07 for procedures for making departmental deposits with Accounts Receivable/University Deposits by using the Departmental Deposit Information Sheet (DDIS).
 - b. The department must record sales tax on a separate line of the JV prepared and entered to move deposited funds from the revenue clearing account to appropriate revenue accounts. The sales tax should be recorded to the same fund as the sales and balance sheet account 2A0304. Use the words "sales tax" in the description area.
 - b. Each department should also keep a record of gross receipts from sales. The state requires that accurate records be maintained.
 - c. The sales tax collected is remitted to the state of Texas twice a week by the Tax Compliance and Reporting department.
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