SALES TAX: PURCHASING GENERAL GUIDELINES

Purchases: Texas Tech University System and Texas Tech University (TTU) are exempt organizations under the Texas sales and use tax laws (Texas Tex Code, 151.309 (4)). Exempt organizations may buy, lease or rent taxable items without paying sales and use tax if those items further the mission of such exempt organization. Departments should attempt to use the TTU Tax Exempt Form first.

If the vendor will not accept the tax exempt letter, a Texas Sales Tax Exemption Certificate for TTU can be obtained from the Procurement Services Office by emailing techbuy.purchasing@ttu.edu.

The following section provides general rules applicable to common purchases made by TTU. These general rules are applicable regardless of funding source.

1. The Exemption Certificate must be used for purchases made on behalf of the University. It is each department’s responsibility to provide an Exemption Certificate when making purchases on behalf of the University. If sales tax is incurred on an exempt purchase, the sales tax will not be reimbursed regardless of which FOP is used for the purchase. If a purchase is made on a purchase order or on a procurement card, then providing a separate exemption certificate may not be required.
   
   a. A purchase voucher issued by TTU is sufficient proof of the entity’s exempt status and should be acceptable by a vendor. (See TAC Rule 3.322(g)(3).)
   
   b. Based on an opinion letter received from the State of Texas Comptroller’s Office Tax policy Division, dated May 27, 2008, “it would seem that purchases with the [University] procurement card would protect the seller in the event the seller is audited if the purchase shows the sale is made to the university by the seller.”

2. The Exemption Certificate can only be used for those purchases that further the mission of the University. An exemption certificate cannot be used for those purchases that will be used for the personal benefit of a private party or individual. For example, the purchase of books for the addition to the University Library is exempt. However, the purchase of a book by an employee for his/her personal collection is not exempt.

3. The Exemption Certificate is only applicable to the exemption of Texas sales tax. If a purchase is made from an out-of-state vendor collecting that states sales tax, sales tax may be imposed on the purchase unless the items are shipped to Texas. If another state’s sales tax in incurred on an out-of-state purchase, the sales tax will be reimbursed.

4. Use of the Exemption Certificate for meals is restricted. The Exemption Certificate may be used for employee working meals, TTU events, team meals, etc., but is not to be used for purchasing individual meals, even if the meal is purchased while on business travel. The following chart provides a quick reference of the most common types of meal purchases,
when an Exemption Certificate should be provided, and when sales tax incurred on meal purchases will be reimbursed.

<table>
<thead>
<tr>
<th>Provide Exemption Certificate</th>
<th>Sales Tax Incurred</th>
<th>Sales Tax reimbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Working Meals, University Events, Team Meals</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Business &amp; Entertainment Meals*</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Business &amp; Entertainment Meals*</td>
<td>Yes, but declined**</td>
<td>Yes</td>
</tr>
<tr>
<td>Individual Meals While on Business Travel</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
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* The IRS defines business and entertainment meals to be those ordinary and necessary expenses to entertain a client, customer, or employee if the expenses meet the directly-related test or the associated test. See IRS Publication 463 for more information.

The IRS substantiation rules require that records to be kept to show:
- The amount of the expense;
- The time and place of the entertainment and/or meal;
- The business purpose of the entertainment and/or meal; and
- The name of the individuals in attendance and the business relationship to each individual.

** If the University procurement card is used for the purchase and a good faith effort to notify the vendor that the purchase should be exempt from the sales tax, but the restaurant declines to exempt the purchase from sales tax, then any sales tax paid will be allowed on the pcard transaction provided the individual documents the establishment contact name, phone number and dates attempted to have tax credited, on the p-card reconciliation. Only local funds may be used for taxes.

5. The Exemption Certificate cannot be used for the purchase, rental, or use of motor vehicles.

6. The Exemption Certificate cannot be used for the purchase of items for resale at a University event (such as food). A resale certificate must be obtained from the Procurement Services Office by emailing techbuy.purchasing@ttu.edu.