

## SECTION 12 STATE, LOCAL SALES AND FEDERAL EXCISE TAXES

### 12.1 TAXABLE STATUS OF PURCHASES

Ruling No. 95-0 from the State Comptroller, effective October 1, 1969 states:

"The sale, lease or rental of tangible property directly to or for storage, use of other consumption of tangible personal property directly by an educational ....., organization which property is necessary to its function as such, and paid for by the organization is exempted from the computation of (state and local sales) taxes..."

Provisions under Article 21.023 of the Federal Statutes provide tax exemption to the School District. In accordance with these rulings:

#### A. TAX FREE PURCHASES

All items purchased by a public school, school district or non-private school for the school's own use qualify for an exemption from sales tax if the items purchased relate to the educational process. The school, school district or authorized agent should provide the seller with a Texas Sales and Use Tax Exemption Certificate (Form F). To be valid the certificate must state that the merchandise being purchased is for the organization's own use in providing education, is being made in the name of the organization, and that payment shall be made from the organization's own funds.

The policies for tax free days are listed below:

1. Each school and each school-sponsored organization may conduct **two one-day, tax free sales per calendar year**.
2. A school or student organization may take sales orders over a period of time on taxable sales. If the items are distributed within the one-day limitation, a tax-free day can be used. New sales after the delivery date are taxable.
3. Example: Yearbook orders are sold throughout the year. The sponsor can designate the distribution date as a tax-free day.  
  
All yearbooks distributed on the designated day are tax-free.  
  
Any yearbooks distributed after that date are taxable.
4. Tax-free sales must be approved prior to the activity date and the school must keep accurate records to support the tax-free day.

Purchases by PTOs, PTAs, Booster Clubs and individuals, even though connected with a school or school organization, are not exempt from the tax. Examples: Cheerleaders purchasing their own uniforms, band members purchasing their own instruments, and athletic teams purchasing their own jackets.

#### B. EXEMPT SCHOOL ITEMS

Public and non-profit private schools and school-related organizations need not collect sales tax on the following:

1. Fees and admission tickets, including athletic, movie, dance and drama tickets.
2. Club memberships dues and trip deposits.

3. Coupons and coupon books/cards.
4. "A-thon" events – i.e., walk-a-thon, jog-a-thon
5. Sales of food and soft drinks during a regular school day, subject to an agreement with the proper school authorities.
6. Food and drinks sold at PTA carnivals.

C. EXEMPT FOOD SALES

The sales tax is not collected on meals and food products, including candy and soft drinks, served in an elementary or secondary school during the regular school day by a school, student organization or PTA subject to agreement with school authorities.

This exemption from the sales tax applies to guests, employees, or teachers served in a school cafeteria or teacher's lounge during the regular school day.

The sale of food, including candy and soft drinks, is exempt from the sales tax when sold by an organization associated with a public or non-profit private elementary or secondary school (4-H clubs, Future Farmers of America, etc.) if:

1. The sale is part of a fundraising drive sponsored by the organization, and
2. All net proceeds from the sale go to the organization for its exclusive use.

D. SCHOOL SPONSORED TRIPS

Meals purchased by the school for athletic teams, bands, etc., on authorized school trips are exempt from the sales tax if the school contracts for meals. The school must pay for the meals and provide the eating establishment with an exemption certificate.

Individual members of the athletic team, band, etc., may not claim exemption from the sales tax on the meals they purchase while on a school-authorized trip. **Only group receipts will be honored by the campus bookkeeper or BISD Finance Department when submitted for reimbursement**

An exemption may also be claimed by the school from the Hotel Occupancy State Tax if the school contracts and pays for the accommodations and provides the hotel with a completed Hotel Occupancy Tax State Exemption Certificate (Form I).

Teachers, coaches, etc., MAY NOT claim exemption from sales tax on individual purchases while on school-business even though they are reimbursed by the school for expenses. **Only group receipts will be honored by the campus bookkeeper or BISD Finance Department when submitted for reimbursement**

E. TAXABLE SALES

Public and non-profit private schools and school-related organizations collect the sales tax on the following:

1. Supplies and publications.
  - a. School purchased supplies (such as pencils, athletic equipment, and uniforms) sold directly to students, teachers, or other persons.
  - b. Fees for materials when the end product becomes a possession of the student.
  - c. Student publications such as yearbooks and football programs.

- d. School rings.
  - e. Books sold to students at book fairs.
  - f. Most plants (with the exception of fruit and vegetable plants) and cut flowers.
  - g. Supplies for musical instruments and music.
2. All sales of tangible items sold as part of a fundraiser, except food items and tax-free sales..

Teachers and students MUST COLLECT the sales tax on merchandise other than food products they sell.

If the school assumes responsibility for the activity and/or sales, the school is responsible for insuring the tax is paid. The school may purchase items tax free and must collect the tax when the items are sold.

- 3. PTOs, PTAs, Band Boosters, etc. are required to pay sales tax when purchasing taxable items that are not for resale.
- 4. Sunshine club is required to pay sales tax when purchasing taxable items that are not for resale.

#### F. TOLL FREE NUMBERS

The State Comptroller's Office maintains a toll-free tax information number for quick response to any state tax questions you may have. You can reach the Comptroller's Office from anywhere in Texas by dialing 1-800-252-5555 or visit the Web site <http://www.window.state.tx.us>.

#### *12.2 REMITTANCE OF SALES TAXES*

All sales tax collected by the school shall be remitted monthly to the Finance Department's Accountant for Campus/Agency Funds, unless contractual agreements with a vendor stipulate that such taxes should be remitted to the vendor (Form E).

