

SALES TAX AND TAX FREE SALES

Sales Tax

Sales tax is a tax on the sale, lease or rental of taxable, tangible personal property and taxable services within the state of Texas. Sales tax must be paid on all taxable items sold by any group or organization at the school; except for taxable items sold during a tax-free sale.

One-Day Tax-Free Sales

Each school (District-wide) and each organization within that school may hold two one-day, tax-free sales each calendar year. According to the State Comptroller's office, a bona fide chapter is a group that is organized for conducting business or activity other than instruction or a participatory group. Each student group that is recognized by the school and is organized by electing officers (not just participatory captains), holding meetings, and conducting business are bona fide chapters of the school. The school or organization is not required to collect sales tax on taxable items sold during a tax-free sale. The fundraiser must be identified as a tax-free sale, in advance of the sale, and the tax-free date must be recorded on the fundraiser form.

The following examples will help determine which groups qualify for the tax-free sales:

- The school district qualifies for the two tax-free days.
- Each school qualifies for two tax free days for school-wide fundraisers.
- The Basketball Club qualifies, but the basketball team does not.
- The Debate Club qualifies, but the debate team and classes do not.
- The Spanish Club qualifies, but the Spanish or ESL classes do not.

One-day means 24 consecutive hours; the delivery of items should be made on a single day. Title or ownership passes to the purchaser when the item is delivered to the purchaser. In the case of pre-ordered and pre-sales, title can transfer as soon as the seller (school or student group) receives the order. Therefore, the date the items are delivered by the vendor to the seller should be designated as the tax-free day. All sales from surplus stock remaining after the tax-free day are subject to sales tax.

Commission sales and sales in which the school or group have an agreement with the vendor that all items that are not sold may be returned to the vendor do not qualify as a tax-free sale; the tax-free day provisions do not apply because the sale is the vendor's sale, not the school's or school group's sale. The school or school group would collect and remit the sales tax to the vendor.

Joint Fundraisers

If two or more organizations jointly sponsor a tax-free sale, each organization may hold only one additional tax-free sale during the calendar year in which the joint sale was held. The joint fundraiser is considered to be a qualifying tax-free sale for each of the organizations.

Collection and Remittance of Sales Tax

1. The school shall collect sales tax on all taxable items sold during a taxable sale at the rate of 8.25%.
2. All sales tax collected by the school shall be remitted with the daily deposits.

Sales Tax Calculation

- Adding sales tax to the selling price
selling price x tax rate = total selling price
 $\$15.00 \times 1.0825 = \16.24
- Including tax in the selling price
total sales \div 1.0825 = selling price
 $\$15.00 \div 1.0825 = \13.86

Sales Tax Reporting

Each school must report its taxable sales for each month on the Sales Tax Report to the Business Office by the 10th of the following month. If there are no taxable sales for a month, a report must still be submitted indicating no taxable sales.

***Total sales should not include non-taxable sales and tax-free day sales.*

1. Total Sales/1.0825 = Taxable Sales
2. Total Sales - Taxable Sales = Sales Tax Due

Sales Tax Certificates

All items purchased by a school for the educational benefit and welfare of students are exempt from Texas sales tax. The school or school employee should provide the vendor with a copy of the Texas Sales Tax Exemption Certificate.

1. Texas Sales and Use Tax Exemption Certification
 1. Shall only be used to purchase school items.
 2. Shall not be used for personal purchases.

3. The certificate does not require a tax exempt number for a public school (refer to bottom of form).
4. Teachers/sponsors shall not be reimbursed sales taxes charged on purchases made on behalf of the school or student group; this does not apply to purchases from faculty accounts.

2. Sales Tax and Use Tax Resale Certificate

- Should be used to purchase items on a non-tax basis for the purpose of resale only.

Taxable Purchases

1. Purchases from faculty accounts are not tax exempt as these expenditures are not related to the basic educational or instructional function of the school.
2. Purchases of items for personal use by students/individuals, even though connected with a school or school organizations, are not tax exempt.