

# **ACTIVITY FUND PROCEDURE MANUAL**

## **SECTION 13 SALES AND EXCISE TAXES**

### **13.1 TAXABLE STATUS OF PURCHASES**

Exempt organizations may buy, lease or rent taxable items without paying sales and use tax if those items are necessary to their function as an exempt organization. No item purchased by an exempt organization may be used for the personal benefit of a private stockholder or other individual. An exemption certificate must be provided to the supplier (Form G).

#### **A. TAX FREE PURCHASES**

All items purchased by a public 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 Tax Exemption Certificate. 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.

Purchases for their own use by 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 football and drama tickets
2. Club memberships
3. Deposits
4. Sales of food and soft drinks sold during a regular school day, subject to an agreement with the proper school authorities
5. Sale of whole cakes or pies
6. Food and drinks sold at school events

#### **C. EXEMPT SALES**

Religious, educational and charitable organizations exempted under the sales tax law are authorized to hold two tax-free sale or auction days each calendar year for each activity account. For that one-day sale only, sales tax need not be collected.

A school, student organization or PTA does not collect the sales tax on meals and food products served in an elementary or secondary school during the regular school day, 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 (Student Councils, Future Farmers of America, etc.) If:

1. The sale is part of a fund-raising 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.

The school may also claim the Hotel Occupancy Tax exemption if the school contracts and pays for the accommodations and provides the hotel with a completed Hotel Occupancy Tax Exemption Certificate (Form K).

#### E. TAXABLE SALES

##### 1. Supplies and Publications

Public schools and school-related organizations must collect the sales tax on the following, unless the sale is counted as one of the allowable tax-free sale days:

A. School-purchased supplies sold directly to students including athletic equipment and physical education uniforms

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

##### 2. Sales by Sponsors and Students

Sponsors and students **MUST COLLECT** the sales tax on merchandise other than food products they sell unless the activity is part of a **ONE DAY SALE EVENT**. If the school assumes responsibility for the activity and/or sales, the school is responsible for insuring the tax is paid. The school may pay the required tax at time of purchase and must collect the tax when the items are sold if sales are not limited to the **ONE DAY SALE**.

3. Booster clubs are required to pay sales tax when purchasing taxable items and to collect sales tax when selling taxable items unless the organization has filed for tax-exempt status on their own.
4. There are no Tax Exempt numbers. Exemption certificates DO NOT require numbers.

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.

13.2 REMITTANCE OF SALES TAXES

A. All sales tax collected by the school shall be remitted quarterly by the business office. All taxable sales are to be reported monthly by campus to the business office unless contractual agreements with a vendor stipulate that such taxes should be remitted to the vendor.