



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 50.36, **Sales Tax Collection**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC 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 HSC OP describes and lists examples of items on which the collection of sales tax is required and provides general sales tax information.

REVIEW: This HSC OP will be reviewed on November 1 of each odd-numbered year (ONY) by the Director of Accounting Services and the Office of Tax Compliance and Reporting, with recommendations for revision forwarded through administrative channels to the Executive Vice President for Finance and Administration by December 1.

POLICY/PROCEDURE:

1. General

- a. Although Texas Tech University Health Sciences Center is a tax-exempt organization, the exemption applies to items purchased, not sold.
- b. The sales tax applies to all transportation or delivery charges to a customer when a taxable item is sold and delivery 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 TTUHSC 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 TTUHSC to charge sales tax on the sale of all taxable items; however, a separate business operation of TTUHSC that sells taxable items should obtain a separate sales tax permit. Examples of separate business operations of TTUHSC include, but are not limited to the following: convenience stores, pharmacies, service locations (mail, printing), etc. All permits of TTUHSC 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 Office of 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 for sales made in Lubbock County. Please refer to the website for the Texas Comptroller of Public Accounts at <http://www.window.state.tx.us/taxinfo/local> to determine the appropriate rate for other counties. The appropriate 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. Any questions should be directed to the Office of Tax Compliance and Reporting.

- a. Additional information can be obtained from the State Comptroller's website at <http://www.window.state.tx.us/taxinfo/taxpubs/taxpubs.html#sales> .
- b. 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. Refer to http://www.window.state.tx.us/taxinfo/taxpubs/tx96_122.pdf .

c. 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 HSC OPs 50.07 and 50.08 for procedures for making departmental deposits by using the online Cash Receipts System at <https://www.fiscal.ttuhs.edu/CashReceipts> . Information regarding how to use this system is also available under "Help" link of the website.
- b. The department must record sales tax on a separate line of the cash receipt. The sales tax should be recorded to fund as the sales and balance sheet account 210013. Use the words "sales tax" in the description area.
- c. Each department should also keep a record of gross receipts from sales. The state requires that accurate records be maintained.
- d. The sales tax collected is remitted to the state of Texas twice a week by the Office of Tax Compliance and Reporting.