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 Chief Payroll Officer, with recommendations for revision forwarded through administrative channels to the Executive Vice President of Finance and Operations by December 1.

POLICY/PROCEDURE:

1. **General**

    a. Texas imposes 6.25 percent state sales and use tax on all retail sales, leases and rentals of most goods, as well as taxable services. Local taxing jurisdictions (cities, counties, special purpose districts and transit authorities) can also impose up to 2 percent sales and use tax for a maximum combined rate of 8.25 percent.

    b. 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 https://comptroller.texas.gov/taxes/exempt/forms .

    c. 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: spirit shops, 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 Payroll and Tax Services by email at tax.forms@ttu.edu or call 806-742-3211. 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 Section 4 below.

    d. Decisions on issues relating to sales tax are based on state of Texas statues. Current state laws will be followed and they will supersede policies included in this HSC OP.

2. **Tax Rate**

    The current combined sales tax rate is 8.25 percent of taxable sales for sales made in the City of Lubbock. Please refer to this website https://www.avalara.com/taxrates/en/state-rates/texas/cities/ to determine the appropriate rate for other cities.

    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 Payroll and Tax Services.

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. 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. College or university student organizations affiliated with an institution of higher education in Texas can hold a one-day, tax-free sale each month. The Comptroller's office keeps a list of the affiliated student organizations that can have these tax-free sales.

   Either the student organization or the institution can send updates to the list. If a student organization is also a 501(c)(3) or (4), it can hold two one-day, tax-free sales each calendar year in addition to this one tax-free sale a month.

   The qualified exempt sales by the student organization (whose purpose is not to engage in business or to make a profit) must be to raise funds for the organization. This exemption does not apply to items sold for more than $5,000, unless the organization manufactured the item or the item was donated to the organization and not sold back to the person who donated the item.

   In addition to the monthly tax-free sale, affiliated student organizations do not have to collect sales tax on the first $5,000 of their taxable sales in a calendar year.

   Refer to Publication 96-122 at https://comptroller.texas.gov/taxes/publications.

d. **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. Collections made on-line through TouchNet will automatically be posted in Banner the next day.

b. For other collections, refer to HSC OP 50.07 for procedures for making departmental deposits by using the online Cash Receipts System at https://www.fiscal.ttuhsc.edu/CashReceipts/. Information regarding how to use this system is also available under "Help" link of the website.

   The department must record sales tax on a separate line of the cash receipt. The sales tax should be recorded to the same 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 Texas State Comptroller once a month by Payroll and Tax Services.

5. **Audit Findings**

a. Sales tax collections may be audited. Any deficiencies and penalties are the responsibility of the TTUHSC Department involved.