

STATE AND LOCAL SALES TAX

Taxable Status of Purchases

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

The sale, lease or rental of tangible personal property directly to or for storage, use or 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:

1. 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.
 - a. The school, school district or authorized agent should provide the seller with a valid exemption certificate, that is, the certificate must state that the merchandise being purchased is for the organization's use in providing education, is being made in the name of the organization, and that payment will be made from the organization's own funds. (See [Appendix A1](#).)
 - b. A teacher or other staff member who has purchased merchandise from a company and has paid cash and then requests District reimbursement will not be reimbursed the amount of the sales tax charged in connection with the purchase. If the school has already reimbursed the individual from student activity funds and then requests the District to reimburse student activity funds, the school will not be reimbursed the amount of the sales tax.
2. A Sales Tax Resale Certificate (see [Appendix A2](#)) is to be given to the seller when merchandise is purchased by the school for resale. This allows the school to purchase the merchandise without paying the tax to the vendor.

Lufkin Independent School District State identification number must be given on this form:

17560019956

Tax Exempt Sales

1. Food Products, including candy and soft drinks, are exempt from the sales tax when sold by the school or student organization.
2. Magazines which are sold under subscription for six months or more and entered as second class mail.
3. Newspapers sold by subscription or single copy.
4. Fees and admission tickets, including football and drama tickets.
5. Club membership.

Taxable Sales

1. The school must collect the sales tax on the following:
 - a. Items sold to students that become the student's personal property. For example:
 - (1) Spirit items sold during an athletic season.
 - (2) Clothing, including uniforms kept by students.
 - (3) Pencils, paper, and other supplies.
 - (4) Books sold at Book Fairs.
 - (5) Materials used in shop when the end product becomes the possession of the student.
 - (6) School rings.
 - b. Student Publications such as yearbooks and football programs.
 - c. Automotive parts used in repairs performed by students.
 - d. Parts used in repair of personal property performed by students.
 - e. Custom items manufactured by students.
 - f. Other items defined as taxable by the State Comptroller's office.

2. Each club is considered a separate exempt organization and may hold two tax exempt sales each calendar year. The sales or auctions must not exceed 24 hours.

The delivery of yearbooks to students on a single day qualifies as the one day tax free sale even though the yearbooks were sold over several days prior to the delivery date. This rule can be applied to other fund raisers where the delivery is made to the students on a single day.

Tax must be collected and paid on all subsequent sales of taxable items, and on all sales of taxable items not meeting the one day rule.

Collection and Remittance of Sales Tax by Student Clubs

1. The school shall collect sales tax on all taxable items. The District's Accounting Department will keep the schools informed of any change in the sales tax.
2. When imposing sales tax, the school has the option of:
 - a. Adding the tax to the selling price of the item.
Thus, if the selling price of an item is \$1.00 and the tax rate is 8.25%, the school would collect \$1.08 from the buyer for each item sold.
 - b. Including the tax in the selling price of the item.
Thus, if an item were sold for \$1.00 including tax, the sales tax would be subtracted from the amount collected on the sale, the school would retain \$.92 and remit \$.08 for sales tax. If this method is used, using the tax rate of 8.25%, divide the sales price or total collections by 1.0825 (\$1.00 divided by 1.0825 = .9238 or \$.92). To arrive at the gross taxable amount, the difference (\$1.00 - \$.92 = \$.08) is the amount of state and local taxes due.
3. All sales tax collected by the school shall be remitted monthly to the District's Accounting Office. The check for the sales tax is to be made payable to Lufkin Independent School District and sent with the Sales Tax Report Form. (See [Appendix A3.](#))
4. The District's Accounting Department will transmit the total sales collected from all the schools to the State Comptroller's Office along with the specific report provided by that office.

Collection and Remittance of Sales Tax by Activity Fund

To record Activity Fund (Fund 18X) sales that are subject to sales tax, the form "Receipt of Revenue" (see [Appendix A4](#)) has columns designated to record the amount of sales tax collected. The person who is responsible for sales must furnish this information to the person responsible for the deposit. This information will be used by the Business Office to complete the State sales tax reports.

Documentation of Sales Tax Paid by Vendor

All contracts for the sale or rental of commemorative items must specify which party is responsible for the collection of applicable taxes. Information and clarification regarding all state and local sales tax statutes may be obtained from the local branch of the State Comptroller's Office. In instances where the vendor from which the items are purchased by a school agrees to pay the sales tax incurred in the resale of the merchandise by the school or a school sponsored club, the agreement must be written and signed by an authorized agent for the vendor. The agreement must be retained on file by the school for five years.

Where the agreement only specifies that the vendor assumes the sales tax liability on the price of the item paid by the school, the school must collect and remit to the District Accounting Office sales tax applicable to the difference between the price paid by the school in purchasing the items and the sales price charged by the school in the resale.

Example: Item purchased for \$1.00 plus tax of \$.08 total \$1.08. The item sold by the school for \$2.00 Tax is to be paid on the difference between purchase price of \$1.00 and sales price of \$2.00.

Texas Hotel/Motel Occupancy Tax

According to Attorney General Opinion Number JM - 865, school districts are exempt from the state portion of the hotel/motel occupancy tax. School districts are not exempt from paying the hotel occupancy tax imposed by each city or county.

- a. The school, school district or district employee should provide the hotel/motel with a hotel occupancy tax exemption certificate. (See [Appendix A5](#))
- b. The hotel occupancy tax exemption certificate must be presented with a school check in payment of the lodging.