



@ College Station & Galveston

Sales Tax Manual

Updated November 2009

Texas A&M University @ College Station and Texas A&M University @ Galveston are exempt from *paying* State of Texas sales tax on purchases. However, they are not exempt from *collecting* tax on sales made by the University.

When a university department sells a taxable item, it is responsible for collecting the sales tax, unless proof of tax exemption is obtained. Sales tax [exemption certificates](#) (needs to be a hyper link to Sales Tax Exemptions which has not been created yet) should be kept on file by the selling department following the retention schedule. The department must collect the tax and [deposit](#) it through iPayments. [iPayments](#) is configured to charge sales tax on all taxable items and send the funds to account 034998-2110. If the purchaser is sales tax exempt, select the tax exempt option to remove the sales tax. Be sure to add in comments that a sales tax exemption certificate is on file.

There is no such thing as a pass through sale. We cannot pass on the University's exempt sales tax status to anyone else. For example, a university department cannot purchase shirts and then sell them to non tax exempt persons without collecting the sales tax.

Financial Management Operations remits the sales tax collected by both campuses to the State Comptroller's Office as required. There is no need for the department to fill out a sales tax form or to remit the tax to the state. The [tax rates](#) vary from county to county and sellers should use the appropriate tax rate for their location. The current tax rate for Brazos and Galveston Counties is 8.25%.

Below is a list of common [taxable and nontaxable items](#) sold by university departments.

Taxable

- A tax must be collected on all cash sales involving tangible, personal property. The State Comptroller defines this as personal property that can be seen, weighed, measured, felt or touched, or that is perceptible to the senses. See [Texas Tax Code Section 151.009](#).
 - Clothing
 - Computer programs
 - Meals
 - Books
 - Equipment Rental
- A tax must be collected on all taxable services. Please see [Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule §3.298](#) , [Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule §3.310](#) and [Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule §3.3147](#) as well as [Tax Publication 96-259](#) for more information.
 - Amusement Services
 - Data Processing
 - Information Services
 - Internet Access
 - Motor vehicle parking and storage
 - Laundry Services
 - Telecommunication Services
 - Utility Service

Nontaxable

- No tax is required for many items.
 - Room rental
 - Conference Registration
 - Booth Rental
 - Dues
 - Fines & Penalties
 - Subscriptions of six months or longer which are mailed second class

Sales Tax Exemptions

Some purchasers of taxable items qualify for a sales tax exemption because of the nature of their organization. Some are exempt because of their exemption status or because the item is being purchased for resale. See [Texas Administrative Code Title 34, Part1, Chapter 3, Subchapter O, Rule §3.322](#) for more information about Exempt Organizations.

University departments must obtain [sales tax exemption or resale certificates](#) from the purchaser at the time of the sale. This certificate should be kept on file by the selling department following the retention schedule.

There is no such thing as an exempt number. The purchaser must prove his/her exemption status to you. The certificate must have a signature on it to be valid. If you can identify the purchaser as a governmental entity or a non-profit organization, an official purchase order or letterhead from the purchaser can serve as a tax exempt certificate.

Organizations can be verified as exempt by using the State's online [Exempt Organization Search](#).

Please visit [Texas Sales Tax Frequently Asked Questions about Exemptions](#) for more information.

Out of State Purchasers

Sales tax is charged based on where the possession of the item takes place. Items that are shipped to the purchaser outside of Texas are tax exempt, but documentation of the shipment should be retained with the deposit.

If the out of state purchaser picks up the item at an event in Texas, sales tax should be collected unless the organization is tax exempt.

Example:

John in Nebraska orders books to be delivered to his office in Nebraska. Jane, also from Nebraska, orders books, but decides to come by your office to pick them up. Which sale is taxable?

Jane's--She is taking possession of the item in Texas. This can be compared to Jane going to a local bookstore to buy the items.

Sales Tax Calculation

The tax must be collected on the amount of the sale that is taxable. Taxable sales should be separated from nontaxable sales to perform this calculation. The total amount of taxable sales times the sales tax rate equals the sales tax amount.

$$\text{Total Amount} \times 0.0825 = \text{Sales Tax Amount}$$

Example:

$$\$150.00 \times .0825 = \$12.38$$

You may also set the sales price to include the sales tax amount. This must be clearly stated on any documents used to promote the sale.

$$\text{Sales Price (including tax)} / (1 + 0.0825) = \text{Sales Price (without tax)}$$

$$\text{Sales Price (including tax)} - \text{Sales Price (without tax)} = \text{Sales Tax Amount}$$

Example:

$$\$12.00 / 1.0825 = \$11.09$$

$$\$12.00 - \$11.09 = \$.91$$

To check this calculation, multiply the sales price times the tax rate: $\$11.09 \times .0825 = \$.91$

If the tax on a sale is less than half a cent, no tax is collected. If the sales tax equals half a cent or more, the full one cent is collected. Sales tax on a \$.05 sale is not due because it is less than half a cent.

Common scenarios for departments

Conferences

Conferences for *educational purposes* are sales tax exempt. Tax is not collected on books, pamphlets, clothing, meals, etc if these items are included in the cost of the registration. Attendees are paying for the conference and not the items. The items included in the conference registration fee should be an *insubstantial* part of the fee.

Books, pamphlets, clothing, meals, etc sold separately at the conference are taxable and sales tax should be collected accordingly. These items are tangible, personal property. See [Texas Tax Code Section 151.009](#).

Examples:

A conference registration fee is \$100 and includes a notebook. This would not be taxable.

A conference registration fee is \$10 and includes a t-shirt. This would be looked upon as selling the t-shirt since the cost of the t-shirt is a substantial part of the registration fee, so it would be subject to sales tax.

Information Services

Information services are defined as furnishing general or specialized news or other current information, including financial information, by printed, mimeographed, electronic, or electrical transmission, or by utilizing wires, cable, radio waves, microwaves, satellites, fiber optics, or any other method now in existence, or which may be devised, and electronic data retrieval or research. Information services do not include Internet access service or information services that are provided in conjunction with and merely incidental to the provision of Internet access service when provided for a single charge. See [Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule § 3.342](#).

Taxable:

- Information that is gathered, maintained, or compiled and made available by the provider of the information service to the public or to a specific segment of industry for a consideration is subject to sales tax. Examples of taxable information services include, but are not limited to, the following:
 - newsletters;
 - scouting reports and surveys, including those used in sports and the oil and gas and related industries;
 - mailing lists, and bad check lists (only that percentage which represents names of persons located in Texas is taxable);
 - real estate listings;
 - financial, investment, stock market, or bond rating, or financial reports, other than charges to a person by a financial institution for account balance information;
 - news clipping services and wire services; and
 - abstracts of title and other information provided by title plants.

Nontaxable:

- The sale of information that is gathered or compiled on behalf of a particular client is not subject to tax if the information is of a proprietary nature to that client and may not be sold to others by the person who gathered or compiled the information. Any subsequent sale of such information by the client for whom the information was gathered or compiled is subject to tax. Examples include opinion polls and management consultant reports.
- Any sale of information primarily derived from laboratory, medical, or exploratory testing or experimentation or any similar method of direct scientific observation of physical phenomena is not subject to tax. Examples include, but are not limited to, geophysical survey information, polygraph test, and medical test results.
- Information required to be furnished pursuant to the Open Records Act is not subject to sales tax. See §3.341 of this title (relating to Sales of Governmental Publications, Records, or Documents). Fees paid when obtaining these documents may be excluded from the tax base if separately stated when the documents are furnished to clients. Tax will only be due on the amount over and above the cost of the documents.

Laundry Services

Sales tax is due on laundry, cleaning, and garment services. A person who performs these services is required to collect sales tax from the customer. See [Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule §3.310](#).

Examples of laundry, cleaning, and garment services include, but are not limited to:

- carpet cleaning and repairing, except carpet repairing performed in residential structures;
- diaper cleaning service;
- drapery cleaning services;
- dry cleaning services for garments or rugs;
- fur garment cleaning, repairing, and storage;
- garment alterations and repairs;
- ironing or pressing garment services;
- mending services;
- power and hand laundry services;
- rug cleaning, dying, and repairing services;
- tailoring garments;
- treating or applying protective chemicals to carpet, upholstery, rugs, or drapery;
- upholstery cleaning and repairs;
- uniform or linen cleaning services that provide only the services to clean or launder the customers' uniforms or linens; and
- valet services.

Postage and Handling

Postage and handling also called transportation charges, freight, shipping, delivery, or convenience fees are taxable to a customer when a taxable item is sold. See [Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule §3.303](#).

These charges are considered to be services connected to the sale. Please be sure you are including tax on these fees for any items that you sell.

If the sale is to an exempt organization or shipped out of state, these charges are not taxed.

You must get a tax exempt certificate from Texas customers to exempt them from the tax.

Publications

Newspapers

Newspapers sold or distributed by individual copy or by subscription are sales tax exempt.

Newspaper is defined as a publication:

- printed on newsprint;
- whose average sales price per copy over a 30-day period does not exceed \$1.50;
- that is printed and distributed periodically at daily, weekly, or other short intervals of four weeks or less;
- for the dissemination of news of a general character and of a general interest, including advertising.
- containing articles and essays of general interest by various writers and advertisements that is produced for the operator of a licensed and certificated carrier of persons and distributed by the operator to its customers during their travel on the carrier.
- for the dissemination of news of a general character and of a general interest that is printed on newsprint and distributed to the general public free of charge at daily, weekly, or other short intervals of four weeks or less.

The term newspaper does not include magazines, handbills, circulars, flyers, sales catalogs, or the like, unless these items are distributed as a part of a newspaper and the items, after being printed, are delivered by the printer to the person responsible for the distribution of the newspaper.

Magazines

Subscriptions to magazines entered as periodicals class (formerly called second class) that are sold for a semiannual or longer period of time are sales tax exempt.

Magazine is defined as a publication:

- usually paper-backed and sometimes illustrated
- that appears at regular intervals and contains stories, articles, essays by various writers, and advertisements.

Individual magazine sales are taxable.

Periodicals and writings published and distributed by an educational organization are subject to sales tax unless they are subscriptions of six months or longer which are mailed as periodicals class (formerly known as second class). See [Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter O, Rule §3.299](#).

Surplus Sales

Texas A&M University requires that all surplus property be sold by TAMU Surplus, a part of Logistic Services.

Surplus property sold to any state agency is sales tax exempt.

Sales of typewriters, office furniture, construction equipment and other tangible, personal property to non-state agencies should be charged sales tax, unless proof of tax exemption is received.

Vehicles licensed for use on highways sold to non-state purchasers are exempt from sales tax. These sales are subject only to the Motor Vehicle Sales Tax which is collected by the county Tax Assessor-Collector. See [Texas Administrative Code Title 34, Part 1, Chapter 3, Subchapter F](#).

Resources

- [Texas Administrative Codes under Title 34 Public Finance, Part 1 Comptroller of Public Accounts, Chapter 3 Tax Administration, Subchapter O State Sales and Use Tax Rules](#)
- [Tax Publications](#)
- [Texas Sales Tax Frequently Asked Questions](#)
- [State of Texas Tax Code](#)