



DE 220
Sales Tax

Office of Accounting
The University of Texas at Austin
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For Accounting Questions

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Class Information

For more information on classes, including course profiles, take a look at *TXCLASS:
<https://utdirect.utexas.edu/txclass/index.WBX>

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I. Introduction (HFP Section 5)

The University of Texas is exempt from paying State of Texas sales tax on items purchased. However, it is not exempt from acting as a tax collecting entity. When University departments sell taxable items, they must collect sales tax, **unless proof of tax exemption is obtained**. The department must collect and then forward the sales tax to the Office of Accounting. This outline discusses what is taxable, and how to calculate, collect and deposit the sales tax. Note: The information contained in this outline was written specifically for the Austin campus. The tax rates vary from county to county and sellers should use the appropriate tax rate for their location. See Chapter III for how to determine what tax rate to use.

A. Taxable vs. Nontaxable (HFP Section 5 3.1)

A tax must be collected on all cash sales involving *tangible, personal property*. The State Comptroller defines tangible personal property as personal property that can be seen, weighed, measured, felt or touched, or that is perceptible to the senses in any other manner, and it includes computer programs. Therefore, generally speaking, sales of office furniture, construction equipment, and typewriters are taxable. Some services are also taxable. For more details regarding what is taxable, see Chapter II, Taxable Sales and Appendix I, Taxable Sales Table.

B. Sales Tax Exemptions (TCPA, Your New Business)

Some customers qualify for exemption because of how the item purchased is to be used or because of the organization's nature. Under these circumstances, you must obtain an exemption certificate from the buyer at the time the transaction is made. This certificate should be kept in your records as evidence of an exempt sale. There is no such thing as an exempt number. The buyer must prove his/her exemption status. An exemption certificate must show the purchaser's name and address; a description of the item; the reason the purchase is exempt; the signature of the purchaser and date; and the name and address of the seller. Note: If you can identify the business as a governmental entity or a not-for-profit organization, an official purchase order including the above information can serve as a tax exempt certificate.

C. Direct Payment Permit Holders (TXPA, Your New Business)

A Direct Payment Permit, available from the Comptroller, enables a customer to make tax-free purchases of items that are acquired only for their own use and not for resale. Tax-free sales to these customers may be made when they

present a Direct Payment Exemption Certificate. The certificate must indicate the purchaser's Direct Payment Permit Number.

D. Calculation

(HFP Section 1 1.4)

The tax must be calculated on the amount of sales that are taxable. To do this, it is necessary to separate taxable sales from non-taxable sales. The total amount of taxable sales times the tax rate equals the sales tax amount.

Example:

Taxable sales	\$ 150.00
X Tax rate	<u>.0825</u>
Equals sales tax	\$ 12.38

To check the calculation, divide the total taxable receipts by 1.0825 to determine the sales total, then subtract the difference. [$162.38/1.0825 = 150$; $162.38 - 150 = 12.38$]

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 \$0.01 is collected. Therefore, sales tax on a \$0.05 sale would not be collected.

E. Collection

(HFP Section 5 1.1, 1.2, 1.3)

Generally, sales tax must be collected on all cash sales of tangible personal property. It applies to cash sales transactions such as board, food, materials, books, supplies, publications, equipment, etc.

Sales tax is a tax on the purchaser, and the seller is not to absorb the tax in the sales price. The burden of proof of tax exemption lies with the purchaser. A purchaser who claims to be sales tax exempt must provide you with a tax exemption certificate.

Since the University is sales tax exempt, no sales tax is collected on sales between departments. IDTs should never be used to record sales tax.

F. Deposits

(HFP Section 1)

University policy requires that all receipts of \$200 or more must be deposited daily, and that all deposits of less than \$200 must be deposited at least weekly. However, there is an exception to this policy when deposits include sales tax. Sales tax must be remitted to the state within three days of collection, so deposits of less than \$200 including sales tax must be made more frequently, at least twice a week (i.e., Monday and Wednesday, or Tuesday and Thursday).

Whenever taking deposits to the Bursar, please do so as early in the day as possible in order to get the money to the bank the same day. Since sales tax must be remitted to the state within 3 days of collection, deposits involving sales tax cannot be mailed to the Bursar, even if the deposit consists solely of checks.

II. Taxable Sales

(Accounting Policy Stmt. 8)

This chapter contains information about what sales are taxable. Additional information can be found in Chapter VII, Answers to Commonly Asked Questions, and Appendix I, Taxable Sales Table.

A. Out-of-State Purchasers

When making sales to out-of-state purchasers, the best way to know if the sale is taxable is by determining where possession took place. If the person making the purchase had the merchandise delivered to his/her state, the sale is considered nontaxable. On the other hand, if the purchaser comes to Austin to pick up the merchandise, then the sale is considered taxable, unless the organization is not subject to sales tax. Remember, purchasers must provide you with a State of Texas exemption certificate before they are excused from paying the tax. If the purchaser claims exemption to the tax because the merchandise is going to be resold in another state, a resale certificate from that state will be sufficient evidence of an exempt sale.

Example:

David in California orders books from the University. The books are to be delivered to his house. Karen in Nebraska also orders books. She has a trip scheduled to Austin and decides to drop by U.T. to pick up the books. Whose sale is taxable? Karen's purchase is taxable because possession takes place in Austin. This is comparable to you walking into Sears in California and buying a sweater.

B. Texas Purchasers

An 8.25% sales tax is collected in Austin, Cedar Park, Jonestown, Lago Vista, Leander, Manor, Pflugerville, and San Leanna. It is also collected in the unincorporated area of southern Williamson County, including Anderson Mill, Jollyville, and Pond Springs, and the unincorporated area of Travis County Precinct 2 (north and northwest Travis County). The 8.25% includes a 1% MTA (Mass Transit Authorities) tax. If a sale of tangible personal property originates in Austin and the merchandise is delivered by common carrier to an area not mentioned above, the 8.25% rate that would normally be charged to an Austin purchaser is decreased by the 1% MTA tax. Therefore, a rate of 7.25% would be used. The only time that this would differ is when and if U.T. delivers merchandise using a U.T. vehicle. In this instance, we would collect

the MTA tax for the particular city in addition to the Austin city sales tax. Call Financial Reports (471-3723) to find out the tax rate to use.

Sellers located in other counties should use the tax rate(s) listed in Chapter III. The same rule regarding delivery by a U.T. vehicle applies to sites other than Austin.

1. Conferences

Conferences for educational purposes are sales tax exempt. If books, pamphlets or other materials are included in the fee, no tax is collected for these materials. However, if such material is sold at the conference separately, then sales tax will be collected on them. If food is provided at the conference and it is charged separately, then the meal is taxable. However, if the conference fee includes the meal, then the meal is not taxable. Remember that the tax rate used will depend on where the sale takes place.

Example 1:

A faculty member conducts a conference in Austin. People are charged a fee for the conference which includes a book on the related subject matter and the proceedings. The proceedings and the book are not taxable. T-shirts, books, and other materials sold separately at the conference are taxable.

Example 2:

A faculty member conducts a conference in Dallas. T-shirts and other taxable materials are sold separately at the conference. Since the sales take place in Dallas, an 8.25% sales tax rate will be used to calculate the tax.

2. Leases

Tangible Personal Property

- Without an Operator

Income from the lease of tangible personal property without an operator is taxable.

- With an Operator

Note: The charge for the rental of the operator will not be taxable unless a taxable service is being provided. Most services provided by U.T. are taxable. If there is a question regarding the taxability of the service provided, call Financial Reports at 471-3723.

When one charge, including both the rental of property and the operator, is made to the customer, it will be considered to be the performance of a service and no tax is charged to the customer for the property rented, unless it is a taxable service.

When two charges are made, one for the rental of property and one for furnishing an operator, the receipts from the separate charge for the tangible personal property are taxable. No sales tax will be charged for the service performed by the operator unless it is a taxable service.

Example 1:

A crane is rented along with an operator. The service provided by the operator is nontaxable. If one charge is being made for both rentals, no tax will be collected. If the charges are separated, the charge for the crane rental is taxable.

Example 2:

A tractor is rented along with an operator to mow a field. The mowing service provided by the operator is taxable. If one price is charged, it will be taxable because the service performed by the operator is taxable. If the rentals are stated separately, each charge will be taxable.

Storage Space

- General storage, not including locker rentals, is always exempt.
- Storage of a motor vehicle is taxable.

Locker Rentals

- Locker rental fees are not taxable.
- Coin-operated lockers are not taxable.

3. Publications

Newspaper sales are not subject to sales tax. A newspaper is defined as a publication that is printed on newsprint and distributed at short intervals for the circulation of general interest. The average sales price for each copy over a 30-day period must not be more than \$0.75. If the average sales price is more than \$0.75, the item does not meet the newspaper definition and will be subject to sales tax.

Example:

The Austin-American Statesman meets the definition of a newspaper so it is not taxable. On the other hand, the Wall Street Journal does not meet this definition of a newspaper since the average price is more than \$0.75. Therefore, it is taxable.

Magazine sales may or may not be taxable. A magazine is defined as a publication that is usually paperbacked and sometimes illustrated, appearing at regular intervals. It contains advertisements, stories, articles, and essays by various writers.

Taxable

- Individual magazine sales
- Subscriptions of less than six months and mailed second-class
- Subscriptions of six months or longer but not mailed second-class

Nontaxable

- Subscriptions of six months or longer and mailed second-class
- Magazines delivered to a customer out of Texas, including foreign countries

Example:

Martha has a six-month subscription to Better Homes & Gardens. This subscription is nontaxable as long as it is mailed second-class. If Martha goes to H.E.B. and picks up People, she will pay sales tax on this magazine.

Other writings are taxable when they are provided by educational organizations. However, journal subscriptions of six months or longer which are mailed second-class are nontaxable.

Example:

Joann has a two-year subscription to the Journal of Political Science. Beth has a four-month subscription to American Short Fiction. Both of the journals are mailed second-class. Beth pays sales tax, Joann does not.

4. Advertising Offers

Departments must first check with Financial Reports to determine the taxability of sale packages that include both taxable and non-taxable items. It is essential that this is done as early as possible before the offer is actually sent out.

5. Services

Amusement Services

Amusement service is defined as entertainment, recreation, or sport that is an enjoyable occupation of the senses. Amusement services include, but are not limited to, live or recorded performances, exhibitions, spectator or participatory sports, and fairs or carnivals. No sales tax is collected on the sale of tickets for amusement services.

Example :

The Erwin Center contracts with George Strait. Sales tax will not be collected on the tickets because the event is considered an amusement service.

Data Processing

Data processing services include word processing, data entry, data retrieval, data search, collection of information, payroll and business accounting data production and other information storage or manipulation. These types of sales are taxable. Sales for the use of a computer or computer time for data processing are also taxable. To be exempt, the purchaser must present an exempt certificate or a resale certificate.

Example 1:

A faculty member goes to the computation center to collect some information. This research is related to his grant. The computation center will not charge sales tax because the sale is internal. The computation center will charge his grant for the data processing service.

Example 2:

Donna, a secretary from Samantha Webster's law practice, has some data processing to do. The document is needed by 3 PM that afternoon. Unfortunately, the computer at their office is down. She comes to the Computation Center to finish up the paper. Sales tax will be collected on the charge for the computer use.

Duplicating Services

Duplicating services are taxable. Services provided by one U.T. department to another are not taxable.

Information Services

When furnishing general or specialized news or other current information, including financial information to individuals and most private businesses, the sales are taxable. Examples include, but are not limited to, newsletters, scouting reports and surveys, mailing and bad check lists (only that percentage which represents names of persons located in Texas is taxable). When such information is sold to state agencies or to a newspaper of general circulation which is published weekly or to radio/TV stations, the sales are not taxable. A tax exemption certificate or a resale certificate is required before making an exempt sale.

Example 1:

U.T. sells a mailing list of some of their journal subscribers to another organization which publishes journals. U.T. will charge this organization sales tax for the mailing list.

Example 2:

U.T. sells a big news article to KXAN. No sales tax will be collected because the information is being furnished to a TV station.

Repair Services

Persons who repair, restore, or maintain tangible personal property belonging to another are providing taxable services. Under a manufacturer's warranty or an extended warranty no tax is due on parts or labor provided by the manufacturer to repair tangible personal property. Sales tax is due on the sale of an extended warranty or service contract. Labor to repair property is exempt if the amount of the charge for labor is separately stated and the repair is to property damaged within a declared disaster area. This does not apply to property transferred as part of the

repair. The disaster area must be declared by the Governor of Texas or by the President of the United States.

Example 1:

The Engineering Department builds scientific equipment according to the purchaser's specifications. The equipment is sold under a manufacturer's warranty. The purchaser mails a section of the equipment to the department for some repairs. Since the parts and labor for this repair are covered under the warranty, no sales tax will be collected.

Example 2:

The Engineering Department sold equipment to a private organization in Houston. The equipment is sold without a warranty. A year after the sale, a hurricane hits the Houston area and damages the equipment. The Governor of Texas declares Houston a disaster area. The separately stated charge for labor to repair the equipment is not taxable.

6. Surplus Property

Surplus property sold to any state agency is exempt from sales tax. Sales involving typewriters, office furniture, construction equipment and other tangible, personal property to non-state purchasers are charged sales tax. Vehicles licensed for use on highways sold to non-state purchasers are exempt from sales tax. These types of sales are subject only to the Motor Vehicle Sales Tax which is collected by the county Tax Assessor-Collectors.

7. Transportation & Delivery Charges

Almost all transportation, and delivery/handling charges, including U.S. postage, are charged sales tax. These charges are not taxable when the sale is nontaxable. The only exception to this is when U.S. postage is stated separately for mailing to a third party at the request of the buyer.

Example:

Jerry lives in Austin. His Aunt Edna lives in Plainview. Aunt Edna's birthday is coming up and Jerry will not be able to go see her. He orders a cashmere sweater to be delivered to her in Plainview. On the order form, the postage was separately stated so Jerry did not pay sales tax on the U.S. postage.

III. Tax Rates

The tax rate used for sales tax deposits depends upon where the sale takes place. The University must remit the sales tax to the Comptroller by county.

A. Tax Rates by County

Use the following table to determine which tax rate to apply.

- Only use the tax rate for the county you sell in. If you need to charge a rate that is not listed in the table, contact the Office of Accounting, Financial Reports (471-3723) prior to the event. The University must remit the sales tax to the State by county.
- If an item is delivered outside your county and surrounding areas using a U.T. vehicle, a different tax rate may apply.

County	Tax Rate
Fannin County Sales originating in Sam Rayburn Library - also applies when mailing to customers in Texas	7.75%
Fayette County Sales originating in Winedale - also applies when mailing to customers in Texas	6.75%
Harris County Sales originating in Harris County - also applies when mailing to customers in Texas	8.25%
Jefferson County Sales originating in Beaumont - also applies when mailing to customers in Texas	8.25%
Jefferson Davis County Sales originating in McDonald Observatory - also applies when mailing to customers in Texas	7.25%
Midland County Sales originating in Midland County - also applies when mailing to customers in Texas	7.75%
Nueces County Sales originating in Port Aransas but merchandise is delivered by common carrier out of Port Aransas and surrounding areas	7.25%
Nueces County Sales originating in MSI, Port Aransas and surrounding areas (Agua Dulce, Bishop, Corpus Christi, Driscoll, Gregory, Robstown, San Patricio) - also applies when mailing to customers in Texas	7.75%
Smith County Sales originating in Smith County - also applies when mailing to customers in Texas	7.75%
Travis County Sales originating in Austin and surrounding areas (Austin, Cedar Park, Jonestown, Lago Vista, Leander, Manor, Pflugerville, San Leanna) - also applies when mailing to customers in Texas	8.25%
Travis County Sales originating in Austin but merchandise is delivered by common carrier out of Austin and surrounding areas	7.25%
Young County Sales originating in Young County - also applies when mailing to customers in Texas	8.25%

B. Object Codes to Use

Use the following table to determine which object code to use.

County	Tax Rate	Object Code
Fannin County	7.75%	6034
Fayette County	6.75%	6035
Jefferson Davis County	7.75%	6036
Midland County	7.75%	6037
Nueces County	8.25%	6033
Travis County	8.25%	6032
Other Counties	(depends on county)	6038

IV. Preparing Deposits

A. Overview

In order for the Office of Accounting to correctly remit sales tax to the State Comptroller, all sales tax deposits must be prepared consistently across campus. This section discusses how sales tax deposits should be prepared.

Sales tax should be deposited into the same account as the revenue associated with that sales tax. Each night a program will run which will move the sales tax out of the revenue account into the University sales tax account, 18-0020-15. The sales tax collected will be remitted to the State Comptroller's office from the University sales tax account.

B. Standards for All Sales Tax Deposits

(HFP Section 4 1, 2, 3, 4)

1. Documents to Use

Deposits should be made electronically with a VC1 document in *DEFINE. If a manual deposit must be made it should be prepared on form BU 102. These forms are available from University Supply & Mail. Note: IDTs should not be used to record sales tax.

2. Segregation

When depositing sales, taxable sales must be segregated from nontaxable sales. The deposit should have separate totals for:

- (a) Sales not subject to sales tax (ex. description: "NT book sales")
- (b) Sales subject to sales tax (ex. description: "T book sales")
- (c) Sales tax separated by tax rate (ex. description: "Tax - book sales")

See Chapter III for information about rates and object codes.

3. Purpose Code

If the sales tax rate you are using is not listed in the object code table (Chapter III), or if you are using object code 6038, a purpose code must also be used to identify the tax rate and/or county. For example, see IV-E below.

4. Questions

General questions regarding deposits can be directed to the Bursar at 475-7777. Specific questions about sales tax deposits can be directed to the Office of Accounting Help Line at 471-8802.

C. Electronic Deposits

Use *DEFINE command VC1 to make electronic deposits. Note: The information presented in this section addresses only the sales tax procedure. For general directions on how to complete this type of document, press the PF6 key from this command.

```
>> YOU ARE CURRENTLY AUTHORIZED TO VIEW THIS DOCUMENT <<
*DEFINE          CASH RECEIPT VOUCHER FOR DEPARTMENTS - VC1          Year 99
Command: VC1     Account: _____ Misc: K0VC1000000_____ Month: DEC
=====
Status: APPROVED          -- COVER SHEET --          Document ID: K0VC1965704
Action: ___ Summary: SALE OF BOOKS - 11/30-99_____
Created: 12/01/99 by ACEAP - PRESLEY, ELVIS A.          Category:
                Format: 01___ Template: VC_____

Voucher Date: 120299          No. of Entries: 3
Process Date: 120199          Deposit Type
Voucher Nbr: C123456          MC VISA/MC: 0.00_
Payment Total by Type: 1. _   _ CURRENCY: 562.78_
                               _ COIN: 0.00_
Direct Totals:                KF CHECKS: 0.00_
    Debits: 0.00              _ LOCKBOX: 0.0 0_
    Credits: 0.00             SC DISCOVER: 0.00_
General Ledger Totals:        _ AMEX: 0.00_
    Debits: 0.00              CASH TOTAL: 562.78_
    Credits: 0.00             GRAND TOTAL: 562.78
Service Dates: 111899 thru 111899 Deposit No.: 001___ Need Support Doc: N
Purpose Codes: _ _ _ _ _ _ _ _ _ _
```

Section 2 is where you enter the account numbers, object codes, descriptions, and amounts.

```

>> FINAL PAGE OF VOUCHER ITEMS <<
Action: ___ Begin at Acct: 0100010021 Entry: Debits:          1,037.00
          Voucher Date: 120299           Credits:           1,037.00
          Voucher Nbr.: C297713           Nbr:

```

ACCOUNT	TYPE	OBJ.	PAYOR	AMOUNT	D/C
DTN	TCODE	VENDOR ID	SERV.BEG SERV.END	BURSAR PURPOS	MORE
1900201596	AL	6032	TAX - BOOK SALES	8.18	D
	5001				+
0100030021	CA	5001	BALANCE FUND	156.00	D
	5001				+
1938102295	IN	3825	REG FEES	784.09	C
	3010				+
1938102295	AL	6032	SALES TAX	11.88	C
	6032				+
3021366193	IN	3390	25 % TO LEA	241.03	C
	3010				+
					-
					-
					-
					-
					-
					-

- Account: Type the account number you are debiting or crediting.
- OBJ.: Type the object code. For the sales transaction, determine the object code based upon the type of sale. For the sales tax transaction, see Chapter III.
- Payor: For sales transactions, enter a brief description of the sale (Book Sales, T-Shirt Sales, etc.). Type either "NT" (nontaxable) or "T" (taxable) at the beginning of each description. If more than one account is involved, a separate entry should be made for each account.

D. Manual Deposits (HFP Section 4)

Manual deposits must be completed on form BU 102. The form must be either typed or written in ink. Forms are available from University Supply & Mail.

THE UNIVERSITY OF TEXAS AT AUSTIN, Office of Accounting Bursar's Division, P.O. Box 7398, Austin, Tx 78712-7398 Received From:			CHARGES _____	CRV _____	
			CURRENCY _____	DATE _____	
			COIN _____	POSTED _____	
			CHECKS _____		
			TOTAL _____	BU 102	
If a copy of this deposit is to be returned to you, include an addressed envelope.					
Prepared by: _____			Checked: _____		
Title	Description	FD	Account No.	Code	Amount

The following is an example of a completed deposit form involving sales tax.

THE UNIVERSITY OF TEXAS AT AUSTIN, Office of Accounting Bursar's Division, P.O. Box 7398, Austin, Tx 78712-7398 Received From: ABC Department MAI 132			CHARGES 5.00	CRV _____	
			CURRENCY 50.00	DATE _____	
			COIN _____	POSTED _____	
			CHECKS 507.78		
			TOTAL 562.78	BU 102	
If a copy of this deposit is to be returned to you, include an addressed envelope.					
Prepared by: (Your name, not initials)		Phone: 471-9999	Date: (date prepared)	Checked: _____	
Title	Description	FD	Account No.	Code	Amount
Conference	NT-CONFERENCE FEES		19-0220-0596	3825	455.50
Conference	T-BOOK SALES		19-0220-0596	3755	99.10
Conference	Tax Book Sales		19-0220-0596	6032	8.18

- (a) Title: The title of the account.
- (b) Description: For sales transactions, type a brief description of the sale (Book Sales, T-Shirt Sales, etc.). Type either "NT" (nontaxable) or "T" (taxable) at the beginning of each description. If more than one account is involved, a separate entry should be made for each account.
- (c) Account No.: Type the account number you are debiting or crediting.
- (d) Object Code: In the left column type the object code. For the sales transaction, determine the object code based upon the type of sale. For the sales tax transaction, see Chapter III. Remember, if you use object code 6038 you must also enter a purpose code. Call Financial Reports at 471-3723 for assistance.

E. How the Transactions Appear on the Account

Example: Department A makes a \$3,000 T-shirt sale, with \$1,000 sold in three different counties: Travis, Nueces, and Young. The initial deposit transactions will look like this:

Account	Purpose Description	Object Amount	Code	Code
29xxxxxxx95	T-T-shirts	\$3,000.00		3900 (Misc. Revenue)
29xxxxxxx95	Tax T-shirts	82.50		6032 (Travis Cty)
29xxxxxxx95	Tax T-shirts	82.50		6033 (Nueces Cty)
29xxxxxxx95	Tax T-shirts	82.50	TX8	6038 (Other Counties)

The following transactions will be generated to transfer the sales tax from the departmental revenue account to the University sales tax account:

Account	Purpose Description	Object Amount	Code	Code
29xxxxxxx95	To 0961800201508	\$ 82.50-		6040 (Sales Tax Remit-Dept.)
29xxxxxxx95	To 0961800201521	\$ 82.50-		6040 (Sales Tax Remit-Dept.)
29xxxxxxx95	To 0961800201525	\$ 82.50-	TX8	6040 (Sales Tax Remit-Dept.)
1800201508	29xxxxxxx95	82.50		6011 (Sales Tax Collected)
1800201521	29xxxxxxx95	82.50		6011 (Sales Tax Collected)
1800201525	29xxxxxxx95	82.50	TX8	6011 (Sales Tax Collected)

Note that there are 3 entries to the departmental account. The Office of Accounting has separate accounts by county. Account 18-0020-1508 is used for Travis County, 18-0020-1521 is used for Nueces County, and 18-0020-1525 is used for Other Counties. Since, 18-0020-1525 is used for multiple counties, the purpose code is used to determine the county to which the tax should be remitted.

These entries are done automatically by the Office of Accounting. No action is needed by the department.

V. Refunds

Credit card refunds should be applied to the next deposit.

Check refunds should be processed on a VP2 electronic document.

The refunds will be done out of the departmental revenue accounts using the appropriate codes and then the nightly program will transfer the amount refunded out of the sales tax account into the departmental revenue account. The entries will be the opposite of those shown in Section IV-E.

Note: The information presented in this section addresses only the sales tax procedure. For general directions on how to complete this type of document, press the PF6 key from this command.

Within the VP2 command, press PF5 to get this screen:

SELECTION ITEM	VALUE
First screen type, 1 or 2	2
Automatically print after APP	___
Roll to year/component of doc	YES
Reset section marks each time	___

Type "2" in the First screen type, 1 or 2 field and press ENTER. Your VP2 screen will look like this:

```
>>CREATION OF DOCUMENT E0VP2999459 SUCCESSFULLY COMPLETED; CONTINUE<<
*DEFINE          SERVICE PAYMENT REQUEST - VP2          Year: 94 95
Command: VP2     Account: _____ Misc: E0VP2999488   Month: NOV
=====
Status: CREATED          Voucher Nbr: _____ Document ID: E0VP2999459
Action: ___ Summary: DOCUMENT IN PROGRESS
Format: 01___ Created: 11/17/94 by ACMJG - LIFE, ZOE E I
Check Distribution: U Check Nbr _ _____ Separate Check: _ Voucher Date: 111794
Vendor ID: _____
Address:
Service Dates Begin: _____ End: _____ Payment Date: _____ State/Local: _
Voucher Description: _____
Sections:          Payee Reference Info          Amount          Total Amount
_ 1.Comments/Ref  _____
_ 2.Transactions  _____
ACCOUNT  D/C  OBJ          AMOUNT          PO NBR          DTN          PURPOSE
-----  -  -  -----  -----  -----  -----  -----
-- 0 UT Austin ----- PF1=Options ----- PF8=Exit ----- 11/17/94 08:35 AM --
```

Enter the account number, object code, and amount. Use the service dates of the original transaction. The refund voucher cover sheet plus documentation of tax exempt status and sales event where tax was collected must be sent to Accounts Payable.

VII. Answers to Commonly Asked Questions

A. What is Taxable?

1. What is the minimum amount that is subject to tax?
In general, any sale of \$0.05 or less is not subject to sales tax. 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 \$0.01 is collected.
2. Are conference fees taxable?
If a conference is purely for educational purposes, the fees are sales tax exempt. When the conference fee covers items such as books and pamphlets, the sales on these items are not taxable. However, if the books are sold separately, they are subject to sales tax.
3. Are locker rentals taxable?
Sales tax is not collected on locker rentals.
4. Are meals for conferences taxable?
Sales tax is collected on meals when the fee for the meal is separated from the conference fee.
5. Are telecommunication charges taxable?
Telecommunications charges less than \$25 are exempt from sales tax. Any charges of \$25 or more will be subject to sales tax.

B. Deposits

1. How often should deposits be made?
University policy requires that all receipts of \$200 or more must be deposited daily, and that all deposits of less than \$200 must be deposited at least weekly. However, there is an exception to this policy when deposits include sales tax. Sales tax must be remitted to the state within three days of collection, so deposits of less than \$200 involving sales tax must be made more frequently, at least twice a week (i.e., Monday and Wednesday, or Tuesday and Thursday).
2. How will the deposit transactions look on my account?
Section IV-E has an example of how the transactions are posted.

C. Miscellaneous

1. What tax rate should be used?
If the sale originates in Austin and the delivery takes place in Austin, the 8.25% sales tax rate is used.
If the sale originates in Austin and the merchandise is delivered by U.S. Mail anywhere in Texas, the 8.25% sales tax rate is used.
If the sale originates in Austin and the merchandise is delivered by common carrier in Texas but out of Austin and surrounding areas, a 7.25% tax rate is used.
If the delivery is made by U.T. vehicle, the 7.25% tax rate would be collected plus the MTA tax of the city where the delivery was made.
Sales of merchandise delivered out of Texas are exempt from sales tax.
2. How are magazine subscriptions affected by the sales tax?
If the subscription period is for six months or longer and delivered second-class mail, or out of Texas, then no sales tax is collected on the sale. Otherwise the sale is taxable. The tax rate charged will depend on where the publication is delivered. See answer to Question 1 above for further details on the tax rate.

VIII. Resources

A. Office of Internal Audits

The Office of Internal Audits can assist you with questions on University rules, departmental cash handling procedures, audits, etc. Call 471-7117 for assistance.

B. Financial Reports

The accountant assigned to the 18 sales tax account can assist you with specific questions on sales tax. Call 471-2801 if you have questions regarding situations where you question whether a sale is subject to sales tax.

C. Bursar

The Bursar in the Office of Accounting processes deposits. Call 471-1056 if you have general questions regarding deposit procedures/requirements.

D. Accounts Payable

The Accounts Payable section in the Office of Accounting processes refund vouchers. Call 471-1816 if you have questions regarding refund vouchers.

E. Classes

These additional classes may be useful:

Electronic Documents

- DE 230 Introduction to Electronic Documents
- DE 217 Electronic Payment Vouchers

Miscellaneous

- DE 202 Introduction to *DEFINE
- DE 301 Introduction to UT Accounting I
- DE 302 Introduction to UT Accounting II
- DE 303 Introduction to UT Accounting III

Appendix I: Taxable Sales Table

(Accounting Policy Stmt. 8)

ITEM	TAXABLE	NON-TAXABLE
AMUSEMENT SERVICES <ul style="list-style-type: none"> • Exclusively provided by a governmental entity • Governmental entity contracts with a person, a for-profit organization, or any other organization other than a governmental entity • Same as above except it is solely for educational purposes • Membership fees for entertainment 	X	X X X
COIN-OPERATED MACHINE SALES <ul style="list-style-type: none"> • The following tangible personal property sold through a coin-operated bulk vending machine for a total of 25 cents or less: (1) food or candy, other than beverages; (2) chewing gum; or (3) toys and other items primarily designed to be used by children 		X
CONFERENCES <ul style="list-style-type: none"> • Conferences presented for educational purposes • Books, pamphlets, and other material included in the conference fee • Books, pamphlets, and other material sold separately at the conference 	X	X X
DATA PROCESSING SERVICES <ul style="list-style-type: none"> • Word processing, data entry, data retrieval, data search, information compilation, payroll and business accounting data production and other information storage or manipulation: <ul style="list-style-type: none"> (a) For individuals (b) For state agencies • Use of computer or computer time for data processing: <ul style="list-style-type: none"> (a) By individuals (b) By state agencies 	X X	 X X
DUPLICATING SERVICES <ul style="list-style-type: none"> • Provided to the general public • Provided to University departments or other exempt organizations 	X	X
FOOD FOR IMMEDIATE CONSUMPTION <ul style="list-style-type: none"> • Meals of food sold by colleges and universities 	X	
GOV'T PUBLICATIONS & RECORDS <ul style="list-style-type: none"> • Single copy of a document that is required to be furnished by the Open Records Act. Includes reports or information. • Additional copies to same person in the same request • Copy/copies of documents not open to public inspection • Regular publications by a governmental body of records or general information even though they may be open or available to the public 	X X	X X
INFORMATION SERVICES <ul style="list-style-type: none"> • Furnishing general or specialized news or other current information, including financial information: <ul style="list-style-type: none"> (a) To individuals and most private businesses (b) To state agencies (c) To newspaper of general circulation published at least weekly or to radio or TV stations licensed by FCC 	X	X X

Appendix II: Object Code Listing

The following is a list of object codes associated with sales. This list is intended as a tool and is not all-inclusive. Object codes can be viewed in *DEFINE: the GG8 command lists object codes in code order; the GG9 command lists object codes in keyword order. Object code listings can be obtained through the PF15 key in these commands. Remember, object codes are related to a particular type of sale. They do not indicate whether a sale is taxable or non-taxable. Use the guidelines in this outline to determine whether a particular sale should be taxed.

3701	Sales & Services - Nonspecific	3758	Sale of Operating Supplies
3717	NCAA Distribution Inc.	3759	Winery Sales
3720	Site Income	3760	Merchandise Sales
3726	Vending Health Center	3762	Salvage Paper Sales
3727	Vending-Housing & Food	3763	Salvage Metal Sales
3728	Vending-BRC Commons	3764	Membership Dues/Fees
3729	Athletic Dining Facility	3765	Gratuities Receipts
3730	Student Activity Fees	3801	Sale Utility to Auxil
3731	Broadcasting Rights	3803	Sale Utility to Ed & Gen.
3732	Television Rights	3805	Misc Utility Income
3733	Concessions Income	3806	Telecommunications Inc.
3734	Program Sales	3807	Budgeted Utility Income
3735	Program Advertising Income	3810	Room & Equipment Charge
3736	SWC - Receipts	3812	General Services Income
3738	Special Events	3813	Course & Instr Fee
3739	Season Tickets Sale	3815	Sale of Equipment-Transfers
3740	Gate Receipts	3817	Service Center Merchandise
3741	Contractual Remit Recp	3821	Program Income
3742	Dorm Receipts	3822	Copier Income
3743	Other Housing Receipts	3824	Publication Income
3744	Meal Tickets	3825	Conference Registration Fees
3745	Food Sales	3900	Miscellaneous Income
3746	Alcohol Sales	3904	Sale of Equip-Outside
3747	Vending Machine Receipts	3905	Sale of Equip Transfer
3748	Parking Permits	3906	Sale of Plant Assets
3749	Parking Meter Receipts	3907	Non-Student Fines
3750	Parking Garage Receipt	3908	Parking Citations
3751	Rent-Real Property	3910	Income on Escrow Restr
3752	Rent-Personal Property	3915	H.B. 1009-Open Rec. Fee
3753	Advertising Income	3920	Cash Over/Short
3754	Publications/Bulletins	3998	Income from Serv Center
3755	Book Sales		
3756	Medical Services Sales		
3757	Testing Fees		

Appendix III: Glossary

Account Number	<i>An account number is a 10 digit number used to record accounting transactions. Sales tax is deposited into the same revenue account.</i>
Accounting Policy Statement No. 8	<i>A publication released by the State Comptroller of Public Accounts on 09/01/93. It discusses the deposit of sales tax and hotel occupancy tax collected by state agencies.</i>
Amusement Services	<i>Entertainment, recreation, sport, or diversion that is an enjoyable occupation of the senses. Includes, but are not limited to, live or recorded performances, exhibitions, spectator sports, participatory sports, fairs, or carnivals.</i>
Bulk vending machine	<i>A vending machine that contains unsorted items and dispenses them at random; customer does not select the item</i>
Cash Sales	<i>In this context, it refers to sales made by cash, check, or credit card.</i>
Common Carrier	<i>A company licensed by the state or federal government to transport goods and passengers for the general public. Examples include UPS and Federal Express.</i>
Data Processing Services	<i>Includes word processing, data entry, data retrieval, data search, collection of information, payroll and business accounting data production and other information storage or manipulation.</i>
*DEFINE	<i>*DEFINE, an acronym for 'D'eartmental 'F'inancial 'T'nformation 'NE'twork, is a financial application used by The University of Texas at Austin and other UT components. *DEFINE is a public application, which means anyone with a logon ID can access it.</i>
Exhibitions	<i>Examples include, but are not limited to, animal shows; antique shows; arts and crafts; museums; and auto shows.</i>
Form BU 102	<i>Manual deposits should be made on form BU 102. These forms are available from University Supply.</i>
Handbook of Fiscal Procedures	<i>This handbook contains specific rules on how funds are to be handled at The University of Texas at Austin. Cash handling procedures are located in Chapter 1, Receipt and Custody of Money.</i>
HFP	<i>Acronym for Handbook of Fiscal Procedures</i>
IDTs	<i>Acronym for Interdepartmental Transfer Vouchers</i>

Information Services	<i>Furnishing general or specialized news or other current information, including financial information. Examples include, but are not limited to, newsletters, scouting reports and surveys, mailing lists, and bad check lists (only that percentage which represents names of persons located in Texas is taxable).</i>
Interdepartmental Transfer Vouchers	<i>Commonly refers to charges processed between UT departments for goods and services, or the correction or movement of charges between accounts. Electronic documents VT5 and VT6 are used for this.</i>
Live or Recorded Performances	<i>Examples include, but are not limited to, ballet performances; ice skating shows; motion pictures; musical concerts; and circuses.</i>
Magazine	<i>A magazine is defined as a publication that is usually paperbacked and sometimes illustrated, appearing at regular intervals. It contains advertisements, stories, articles, and essays by various writers.</i>
Manufacturer's Warranty	<i>A guarantee by the manufacturer that the product is operable and will remain so for a specified period of time.</i>
MTA	<i>Mass Transit Authority</i>
Newspaper	<i>A newspaper is defined as a publication that is printed on newsprint and distributed at short intervals for the circulation of general interest. The average sales price for each copy over a 30-day period must not be more than \$0.75.</i>
Object Code	<i>Object class codes are 4-digit codes used to categorize transactions for reporting purposes. Every accounting transaction must have an object code assigned to it. Object class codes may be viewed using the GG8 and GG9 commands in *DEFINE and a listing may be printed via the PF15 key in GG8 and GG9.</i>
Participatory Sports	<i>Examples include, but are not limited to, athletic clubs; bowling games; court fees - tennis, handball, etc.; golf courses; pool (billiards) games; and swimming pools.</i>
Resale Certificate	<i>If the purchase is made for resale, lease, or rental to others, the purchaser must provide you with a resale certificate. This certificate entitles one to make tax-free purchases. The certificate must be signed by the purchaser and include the purchaser's name and address; state the purchaser's tax permit number or that the application for a tax permit is pending before the comptroller, and contain a description of the property /taxable service sold, leased, or rented by the purchaser in the regular course of business.</i>
Sales Tax	<i>It is a tax on the sale, lease or rental of taxable tangible personal property and taxable services within the State of Texas.</i>

Spectator Sports	<i>Examples include, but are not limited to, horse shows; motorcycle races; automobile races; rodeo; sporting events such as football, baseball, basketball, hockey and soccer games; and wrestling, or boxing.</i>
Tangible Personal Property	<i>Personal property that can be seen, felt, measured or that is apparent to the senses in any other way. It includes computer programs.</i>
Tax Exempt	<i>The sales tax is not collected. It may be due to the nature of the organization or to the way the merchandise is to be used.</i>
Tax Exempt Organizations	<i>Governmental entities (the United States, the State of Texas, or a county, city, special district, or other subdivision of the state), religious, educational and public service organizations are among the organizations that are considered tax exempt.</i>
Tax Exemption Certificate	<p><i>A certificate which, when properly executed, allows the tax-free purchase of an item that would otherwise be subject to sales tax.</i></p> <p><i>The University of Texas System and its component institutions are part of the State, and are exempt from paying the State sales tax. However, The University must collect sales tax on items that we sell. In order for a sale to be tax exempt, the purchaser must present a tax exemption certificate proving exempt status.</i></p>
Tax Rate	<i>The percentage that is charged based on the taxable sale. The rate will depend on where the sale takes place .</i>
TCPA	<i>Acronym for Texas Comptroller of Public Accounts</i>
Texas Comptroller of Public Accounts	<i>As the state's chief tax collector and administrator, the Comptroller of Public Accounts assures fair and equal taxation for all citizens and businesses. As the state's chief bookkeeper, the comptroller ensures pay-as-you-go spending and a balanced budget. The comptroller pays the bills to educate our children, construct our highways and run our state government . The Comptroller of Public Accounts is also responsible for estimating and reporting on money received and spent by the state.</i>
VC1	<i>A cash receipt voucher for processing departments . Its purpose is to allow departments to enter the cash receipt amounts to be deposited in the bank.</i>

Appendix IV: Examples

- 1. You sell books for \$15 a piece. Although your order form includes a space for the sales tax calculation, you received an order where the buyers sent a check for \$15. The tax must still be collected, so how do you account for the tax?**

You do not report a sale of \$13.86 and sales tax of \$1.14. That would be absorbing the tax in the sales price by adjusting the price. You must go back to the buyer for the tax. If you decide not to go back to the purchaser for the tax, you have to pay for the tax yourself out of your income account.

- 2. Which object code would be used if I sell a T-shirt in Austin?**

8.25%. The sale originates here and is delivered here. Use object code 6032.

- 3. Which object code would be used if I sell a T-shirt and mail it to Dallas?**

8.25%. The sale originates here but is delivered by U.S. mail (not a common carrier). Use object code 6032.

- 4. Which object code would be used if I sell a T-shirt and deliver it by common carrier to College Station?**

The sale is nontaxable, since College Station is a foreign country.

Just kidding! It would be taxable at 7.25% since the sale originated in Austin but was delivered by common carrier outside of Austin. Use object code 6032.

- 5. Which object code would be used if I sell a T-shirt at a conference in Houston?**

8.25%. When selling items in another city you use that city's tax rate. Use object code 6038.

- 6. Which tax rate would be used if I sell a T-shirt and deliver it to San Antonio by UT vehicle?**

7.75%. This rate consists of the 7.25% rate for Austin (excluding Austin's MTA tax) and the .5% MTA tax for San Antonio.

7. Let's assume that we sell some books in Austin. The book sales totaled \$300. Out of this \$300, a \$100 sale was delivered by common carrier to a customer out of Austin and surrounding areas. What would the VC1 look like when depositing the entire \$300 plus tax?

The books delivered by common carrier were charged a tax rate of 7.25%, whereas the other books were charged an 8.25% tax rate. We have to separate the total tax collected to indicate the different sales tax rates.

Option 1: The sales and the tax are split out.

```

>>YOUR VOUCHER CHARGES HAVE BEEN UPDATED <<
Action:   ___ Begin at Acct: 1902200596 Entry: Debits:           0.00
          Voucher Date: 110694           Credits:           323.75
          Voucher Nbr.:                   Nbr:                4

```

ACCOUNT	TYPE	OBJ.	PAYOR	AMOUNT	D/C		
DTN	TCODE	VENDOR ID	SERV.BEG	SERV.END	BURSAR	PURPOS	MORE
1902200596	IN	3755	T BOOK SALES	200.00		C	
							+
1902200596	AL	6032	TAX BOOK SALES	16.50		C	
							+
1902200596	IN	3755	T BOOK SALES	100.00		C	
							+
1902200596	AL	6032	TAX BOOK SALES	7.25		C	
							+

Option 2: Only the tax is separated.

```

>>YOUR VOUCHER CHARGES HAVE BEEN UPDATED <<
Action:   ___ Begin at Acct: 1902200596 Entry: Debits:           0.00
          Voucher Date: 110694           Credits:           323.75
          Voucher Nbr.:                   Nbr:                4

```

ACCOUNT	TYPE	OBJ.	PAYOR	AMOUNT	D/C		
DTN	TCODE	VENDOR ID	SERV.BEG	SERV.END	BURSAR	PURPOS	MORE
1902200596	AL	6032	TAX BOOK SALES	16.50		C	
							+
1902200596	AL	6032	TAX BOOK SALES	7.25		C	
							+
1902200596	IN	3755	T BOOK SALES	300.00		C	
							+

- 8. Let's assume that we sell some books at two conferences. One is in Austin and the other is in Corpus Christi. The book sales in Austin totaled \$375. The book sales in Corpus Christi totaled \$325. What would the VC1 look like when depositing the entire \$700 plus tax?**

The books sold in Austin were charged a tax rate of 8.25%, whereas the ones sold in Corpus Christi were charged a 8.25% tax rate. We have to separate the total tax collected to indicate the different sales tax rates and different counties.

Option 1: The sales and the tax are split out.

```

+-----+
| >>YOUR VOUCHER CHARGES HAVE BEEN UPDATED <<
| Action:   ___ Begin at Acct: 1902200596 Entry: Debits:           0.00
|           Voucher Date: 110694           Credits:           757.75
|           Voucher Nbr.:                   Nbr:           4
|
| ACCOUNT  TYPE  OBJ.      PAYOR      AMOUNT      D/C
| DTN      TCODE  VENDOR ID  SERV.BEG  SERV.END  BURSAR  PURPOS MORE
| 1902200596 IN   3755    T BOOK SALES          375.00    C
|          +
| 1902200596 AL   6032    TAX BOOK SALES        30.94    C
|          +
| 1902200596 IN   3755    T BOOK SALES          325.00    C
|          +
| 1902200596 AL   6033    TAX BOOK SALES        26.81    C
|          +
+-----+

```

Option 2: Only the tax is separated.

```

+-----+
| >>YOUR VOUCHER CHARGES HAVE BEEN UPDATED <<
| Action:   ___ Begin at Acct: 1902200596 Entry: Debits:           0.00
|           Voucher Date: 110694           Credits:           757.75
|           Voucher Nbr.:                   Nbr:           4
|
| ACCOUNT  TYPE  OBJ.      PAYOR      AMOUNT      D/C
| DTN      TCODE  VENDOR ID  SERV.BEG  SERV.END  BURSAR  PURPOS MORE
| 1902200596 AL   6032    TAX BOOK SALES        30.94    C
|          +
| 1902200596 AL   6033    TAX BOOK SALES        26.81    C
|          +
| 1902200596 IN   3755    T BOOK SALES          700.00    C
|          +
+-----+

```

9. Let's assume that we sell some books in Young County. The book sale totaled \$200. What would the VC1 look like when depositing the \$200 plus tax.

The tax rate for Young County is 8.25%. Use object code 6038.

```

+-----+
| >>YOUR VOUCHER CHARGES HAVE BEEN UPDATED <<
| Action:  ___ Begin at Acct: 20xxxxxx96 Entry: Debits:                0.00
|           Voucher Date: 110694           Credits:                757.75
|           Voucher Nbr.:                   Nbr:                    4
|
| ACCOUNT  TYPE  OBJ.      PAYOR          AMOUNT          D/C
| DTN      TCODE  VENDOR ID  SERV.BEG  SERV.END  BURSAR  PURPOS MORE
| 29xxxxxx96  AL   3755  BOOK SALES_____  _____  _____  200.00  C
|           _____  _____  _____  _____  _____  _____  +
| 20xxxxxx96  AL   6038  TAX BOOK SALES_____  _____  _____  16.50  C
|           _____  _____  _____  _____  _____  _____  TX8  +
+-----+
    
```