Sales and Use Tax

I. Purpose
To provide guidance and procedural guidelines for the collection of sales and use tax (sales tax) in accordance with KRS 139.495 that requires any higher education institution engaged in making taxable sales to hold a sales tax permit and to report and pay to the Kentucky Department of Revenue the tax on such sales.

II. Definitions and examples
A. Course materials
1. Only those items specifically required of all students for a particular course
2. Does not include athletic equipment or wearing apparel purchased by students, teachers or coaches for personal use outside the educational function, notebooks, paper, pencils, calculators, tape recorders or similar student aids.
3. Certain necessary course materials and supplies not previously classified as essential or specifically excluded by law such as tape recorders, calculators or similar student aids will be classified as essential if the instructor of the course certifies to the bookstore by letter that the material is required of all students in the class for that particular term.
4. Certification by the instructor is only for one term and must be resubmitted for use in a subsequent term.

B. Taxable sales – examples
1. All sales made by a university book and supply store except sales of textbooks, related workbooks and other course materials. An outsourced bookstore vendor is responsible for sales tax collection and remittance to the Kentucky Department of Revenue separately from the University.
2. Cosmetics, nonprescription drugs, clothing and other wearing apparel, costume jewelry, class rings, school pictures, yearbooks, magazine subscriptions, records, tapes and similar items.
3. Candy, soft drinks, popcorn and other such items sold at schools as well as in conjunction with school events.
4. Tangible personal property in connection with fundraising events even though the proceeds from such sales will be used for higher educational purposes, except for the first $1,000 as provided in KRS 139.146. This includes food furnished, prepared or served for consumption at tables, chairs or counters, or from trays, glasses, dishes or other tableware provided by the institution.
5. Meals to faculty, staff, other school personnel, guests and members of the general public.
6. Concessions including sales through vending machines.
7. Sales made through gift shops, cafeterias, etc. An outsourced dining vendor is responsible for sales tax collection and remittance to the Kentucky Department of Revenue separately from the University.
8. Any other tangible personal property, including sales of personal computers, generally sold to the public that is not specifically exempt by statute.
C. Nontaxable sales – examples
   1. Admissions to athletic events, dances, concerts, plays, lecture series, films and other events. Admissions are not considered to be tangible personal property.
   2. Sales by school bookstores or university departments of textbooks, workbooks and other course materials.
   3. Sales of food to students in school cafeterias or lunchrooms.
   4. Sales for which a resale, agricultural or purchase exemption certificate is received.
   5. Sales to government units, interstate commerce, inter-agency and inter-departmental sales.

III. Responsibilities
   A. Department
      1. Collect sales tax in accordance with KRS139.495
      2. Complete the sales tax form and send to General Accounting
      3. Retain sales tax supporting documentation for no less than four years from sale in accordance with KRS139.720.
   B. General Accounting
      1. Verify the accuracy of the sales tax report
      2. Complete the Kentucky Sales & Use Tax return for the University and remit the amount due to Kentucky Department of Revenue.

IV. Policy
   The University will collect from the consumer and remit to the Kentucky State Treasurer sales tax on all sales of tangible personal property which are not otherwise exempt per the Kentucky Revised Statutes and Kentucky Administration Regulations.

V. Procedures
   A. Sales tax of 6% must be added to all sales of taxable items and collected from the consumer unless a valid sales tax exemption is presented by the customer.
   B. Include collected sales tax with the unit’s regular deposit to Treasury Services.
   C. Record the sales tax revenue on a cash transmittal using general ledger account 449070 with the appropriate cost object.
   D. Report sales tax activity monthly
      1. Department
         a. Complete the Sales tax form
         b. Complete the form to General Accounting (371 Peterson Service Building, 0005) by the 10th of each month for activity on prior month.
      2. General Accounting
         a. Verify the accuracy of the sales tax report
         b. Complete the Kentucky Sales & Use Tax return for the University and remit the amount due to Kentucky Department of Revenue.
         c. Record the payment to the unit’s cost object using general ledger account 449070.
   E. Questions regarding sales and use tax should be directed to General Accounting at 859-257-8889.