CU-Boulder Accounting & Business Support (ABS)
Policy and Procedure

# Title: Sales Tax

Date: September 18, 2002
Original: x
Revised:
Approved By:
Jud Hurd, Controller

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## 1. Purpose

The purpose of this policy is to ensure that CU-Boulder complies with sales tax regulations for the State of Colorado, County of Boulder, Special Districts as appropriate, and the City of Boulder.

## 2. Policy

It is the policy of CU-Boulder to charge sales tax as required by the State of Colorado, County of Boulder, Special Districts as appropriate, and the City of Boulder.

## 3. Determining When to Charge Sales Tax

The following list provides assistance in determining whether or not a sale is subject to sales tax:

1. Whenever the University sells **tangible property,** the sale is subject to sales tax requirements. The definition of tangible property is broad. If the item being sold can be touched, it's probably tangible and therefore taxable. It is the practice of CU-Boulder to assume that the item or product being sold is taxable, unless specifically excluded by statute.

2. The University is exempt from paying sales tax on purchases from its own departments such as Internal Service Centers. However, students, faculty, and staff *not acting in their capacity as agents of the University*, private companies, and the public must pay sales tax on their purchases from the University.

3. Generally speaking, sales transacted using an IN, Procurement Card (ACARD), or Journal Entry are tax exempt.

4. Sales tax can be waived for a customer only if the customer provides a copy of their current tax exempt certificates, both for the State of Colorado and the City of Boulder. To reiterate, the burden of proof for the exemption is on the person asserting the claim of exemption. Exemption certificate copies must be kept on file by the department making the sale. This is essential in the event the operation is audited by the Colorado Department of Revenue, and it becomes necessary to justify why tax was not collected and remitted on the respective sale.

5. Sales of services are not taxable. If a sale involves both goods and services - such as a repair operation that involves charges for both parts and labor - the parts (tangible property) are taxable but the labor (service) is not. The seller should list and identify the parts portion of the sale separately from the labor/service portion of the sale. Failure to do this can render the entire amount of the sale subject to sales tax.

# 4. Determining How Much Sales Tax to Charge

The amount of sales tax charged depends upon the following factors:

1. The type of product being sold *and*
2. The tax rate in effect at the time of the sale *and*
3. Where the sale took place, i.e., where the customer took possession of the product.

## 4.1 Product and Tax Rate

Exhibit 1 on the next page lists items frequently sold on campus, and identifies which sales tax rate to apply.

**Note:** This is **not** an all-inclusive list of items to be taxed. It is a representative sample. Contact your area accountant if you have any questions about whether or not a sale is taxable.

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## Exhibit 1
## Identifying the Appropriate Sales Tax Rate to Apply

| **Example Taxable Item** (Listed in Alphabetical Order) | **Use General Sales Tax Rate** | **Use Food & Alcohol Sales Tax Rate** |
|---|---|---|
| Artwork | x | |
| Athletic Equipment | x | |
| Audio Tapes | x | |
| Audiovisual Equipment | x | |
| Books | x | |
| Broadcast Equipment | x | |
| Building Components (Doors, Lighting, Windows, etc.) | x | |
| Cabin Rental | x | |
| Calculators | x | |
| CDs | x | |
| Class Notes | x | |
| Computers, Peripherals, Disks, CDs | x | |
| Computer Printouts | x | |
| Concessions | | x |
| Containers (Tanks) | x | |
| Copy Card - Prepaid | x | |
| Craft Items | x | |
| DVDs | x | |
| Faxes | Not taxable. | |
| Film and Processing Charges | x | |
| Food and Beverage Sales from | | |
| ▪ Carry-out Shops | | x |
| ▪ Concession Stands | | x |
| ▪ Dining Halls (other than meals provided to residence hall boarders as part of a room and board package of at least 30 days duration) | | x |
| ▪ Pushcarts | | x |
| ▪ Restaurants and Snack Bars | | x |
| Food Service Equipment | x | |
| Foods that are Ready-to-Eat | | x |
| Greeting Cards | x | |
| Grounds keeping Equipment (Edger, Mower, Trimmer, etc.) | x | |
| Jewelry | x | |
| Laundry Detergent | x | |
| Manufacturing Equipment | x | |
| Maps | x | |
| Medical Equipment | x | |
| Modular Furniture Components | x | |
| Motor Vehicle Trailers | x | |
| Mugs | x | |
| Musical Instruments | x | |

*continued on next page*

| **Example Taxable Item**<br>(Listed in Alphabetical Order) | **Use General Sales Tax Rate** | **Use Food & Alcohol Sales Tax Rate** |
|---|---|---|
| Music Scores | x | |
| Office Supplies and Equipment | x | |
| Plants | x | |
| Photo Shoot Fees | x | |
| Photo Use Fees | x | |
| Photocopies | x | |
| Photographs | x | |
| Polaroid Exposure Test Materials | x | |
| Postcards | x | |
| Posters | x | |
| Printing and Duplicating Equipment | x | |
| Prints | x | |
| Programs for Athletic Events, Concerts, Theatre Presentations | x | |
| Publications | x | |
| Residence Hall Dining Services Meals Sold to Individuals not Living in the Residence Halls | | x |
| Scanning and Digitizing Charges | x | |
| Scientific Research Equipment (Centrifuges, Incubators, etc.) | x | |
| Scientific Test Equipment | x | |
| Scrap Metal (Wood and Metal - Lathes, Mills, etc.) | x | |
| Shoe Rental (Bowling Shoes) | x | |
| Shop Equipment | x | |
| Sky Charts | x | |
| Slide Sets | x | |
| Sound and Video Recording and Editing Equipment | x | |
| Souvenirs and Memorabilia | x | |
| Stationery | x | |
| Sundries such as aspirin, batteries, swim goggles | x | |
| Tanks | x | |
| Tapes | x | |
| T-Shirts and Other Clothing | x | |
| Tickets for Athletic, Entertainment or Educational Events (excluded from paying tax) | | |
| Toys | x | |
| Used Furniture | x | |
| Vending Machines Sales of | | |
| ▪ Carbonated Water | x | |
| ▪ Cold Sandwiches | x | |
| ▪ Gum | x | |
| ▪ Liquids dispensed into open containers | x | |
| ▪ Prepared Salads | x | |
| ▪ Condoms | x | |
| ▪ Sanitary Napkins | x | |
| Videos | x | |

## 4.2 Date of Sale and Tax Rate

The current sales tax rates are available on the Accounting and Business Support (ABS) Web site at http://abs.colorado.edu/ABS_WEB/WEB_2003/ABS_Sales_Tax.htm. Sales tax rates are subject to change during **both** January and July of each year.

## 4.3 Location of Sale and Tax Rate

The sales tax rate charged depends upon where the customer takes possession of the goods. For additional information, refer to the State of Colorado Web Site at http://www.revenue.state.co.us/.

# 5. Items for Special Consideration

## 5.1 Food Sales

### 5.1.1 Non-Taxable Food Sales

Certain types of food sales are not taxable. These include:

1. Sales of food items from vending machines.
2. Meals provided to residence hall boarders as part of a room and board package of at least 30 days duration.

### 5.1.2 Caution Regarding Vending Machine Food Sales

Certain products, although commonly perceived as a food or beverage, are not considered to be food or beverage items when sold in a vending machine. These products, therefore, **are taxable**. Examples include:

- Carbonated water marketed in containers
- Chewing gum
- Hot or cold beverages dispensed by a machine directly into an unsealed container or cup. For example, a machine that dispenses coffee, hot chocolate, soup, or juice into a cup. In contrast, canned soda or other canned drinks (with the exception of carbonated water marketed in containers) that are sold through vending machines are not taxable.
- Packaged and unpackaged cold sandwiches
- Prepared salads.

**Note:** Contact your area accountant if you have any question about whether or not a vending machine food sale is taxable.

# 6. Operational Aspects of Sales Tax

## 6.1 Displaying the Sales Tax License

CU-Boulder has its own State of Colorado Sales Tax License and City of Boulder Sales Tax License. Operations that charge sales tax are required to post a current copy of each license in a conspicuous place.

Copies of these licenses are available from ABS

- by e-mail at Accounting@colorado.edu
- by telephone at 303-492-8648.

## 6.2 Charging Sales Tax

Sales tax may be charged as a separate line item at the time of the sale. This is the preferred practice at CU-Boulder. In a limited number of circumstances, it may be permissible to impute sales tax after the fact. Work with your Area accountant to determine the most appropriate method for your operation.

## 6.3 Recording Sales Tax

### 6.3.1 Charging Tax at the Time of the Sale

As stated in Section 6.2 of this policy, charging sales tax as a separate item at the time of the sale is the preferred practice at CU-Boulder.

When the Cash Receipt is prepared to record the day's financial activity, the sales tax liability is listed on a line separate from the revenue.

**Note:** A copy of each Cash Receipt on which sales tax liability is recorded should be sent to
**Sales Tax** - Accounting and Business Support
579 UCB.

This is for audit support. If this material is not sent to ABS, the department will be responsible for producing the necessary documentation in the event of an audit.

Exhibit 2, on the next page, provides an example of how to record revenue and sales tax liability on a Cash Receipt.

# Exhibit 2
# Recording Revenue and Sales Tax Liability on a Cash Receipt

Caitlin Edwards

**AUTHORIZED SIGNATURE**

218 UCB

**DEPARTMENTAL ADDRESS/CAMPUS BOX**

x25555

**PHONE**

(#) INDICATES NUMBER OF CHARACTER SPACES

Revenue Line

** Account Range is 200000-379999. Account selection depends upon Fund Group and Expense Purpose Code.

| (10) Speed Type | (6) Account | (5) Fund | (10) Org | (5) Program | (5) SubClass | (4) Budget Year | (15) Project/Grant |
|---|---|---|---|---|---|---|---|
| 12919437 | ** | 29 | 10121 | 10912 | | 2008 | |

| (30) Description | (6) Reference | (16) Amount | (1) D/C |
|---|---|---|---|
| Poster Sales | | 125.00 | C |

Sales Tax Liability Line

| Speed Type | Account | Fund | Org | Program | SubClass | Budget Year | Project/Grant |
|---|---|---|---|---|---|---|---|
| 12918307 | 100400 | 29 | 10585 | 17624 | | 2008 | |

| Description | Reference | Amount | D/C |
|---|---|---|---|
| Museum Sales Tax - Non Food | | 10.39 | C |

REMARKS

| | | | |
|---|---|---|---|
| Cash | 100 | TOTAL THIS PAGE | |
| Checks | 35.39 | 135.39 | |
| Credit Cards | | TOTAL FROM ATTACHMENT | |
| Wire | | | |
| Other | | | |
| | | CASH RECEIPT TOTAL | |
| **Total** | 135.39 | 135.39 | |

TOTAL MUST MATCH CASH RECEIPT TOTAL

### 6.3.2 Imputing Sales Tax

A limited number of CU-Boulder departments impute sales tax rather than book it directly. In this situation, all sales are booked initially into revenue. At a later date, a Journal Entry is prepared which moves the appropriate amount of sales tax from a revenue account to the tax liability account. This method is not recommended except in a few special situations. Work with your area accountant to determine if this method is appropriate for your particular needs.

Exhibit 3, which follows, provides an illustration of imputing sales tax.

**Exhibit 3**
**Imputing Sales Tax**

1. Determine the current **Sales Tax Rate**. The Department of Revenue updates these rates in January and July. The Sales Tax Rate is available on the ABS Web site at http://abs.colorado.edu/ABS_WEB/WEB_2003/ABS_Sales_Tax.htm.

2. Calculate **Sales Tax Payable**.

   STEP 1

   | | |
   |---|---|
   | *Take* | Total Sales (Do not include IN, ACARD, or JE Sales) |
   | *Divide By* | One + Current Tax Rate (For example 1 + .0751 = 1.0751) |
   | *To Get* | Taxable Base |

   STEP 2

   | | |
   |---|---|
   | *Take* | Total Sales (Do not include IN, ACARD, or JE Sales) |
   | *Minus* | Taxable Base (From Step 1) |
   | *To Get* | Sales Tax Payable |

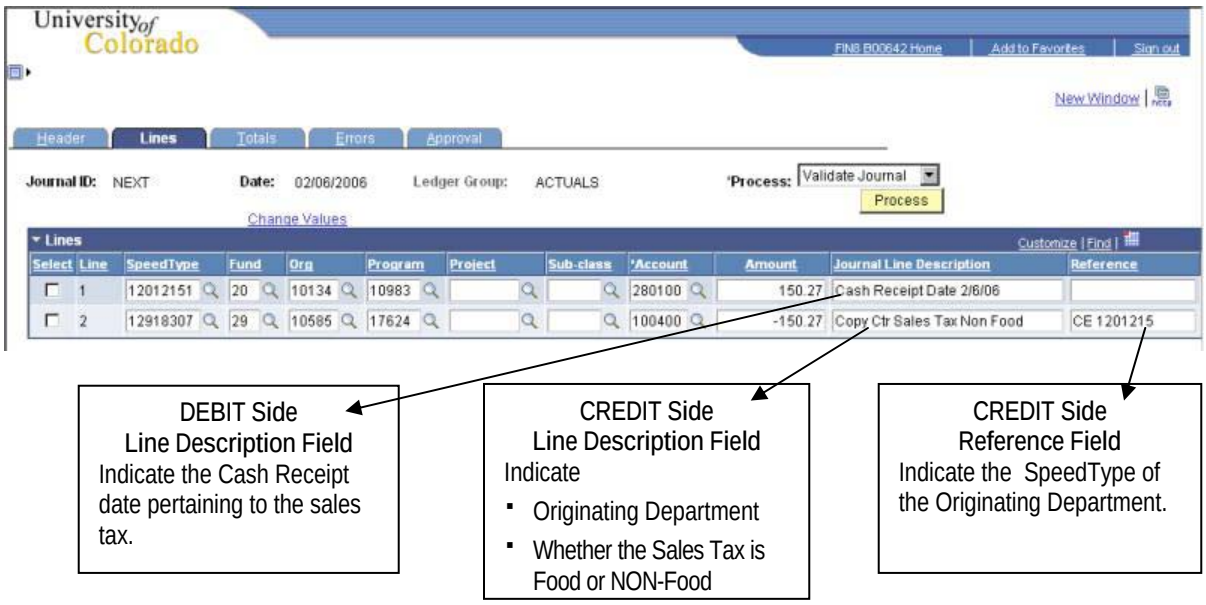
3. Record the **Total Sales,** *including sales tax***,** in your FOPPS using a revenue account. Use the normal Cash Receipt process through the Office of Cash Management.

4. Create a **Journal Entry** to record the Sales Tax Liability.
   - Debit the FOPPS-Account combination used in Step #3, above.
   - Credit SpeedType 12918307, (FOPP 29 10585 17624), Campus Tax Clearing FOPPS, Account 100400, Sales Tax Payable.

   A sample Journal Entry is found on the next page.

### Sample Journal Entry for Recording Sales Tax

- On the **Debit** side of the entry, use the Line Description Field to note identifying information such as the date of the Cash Receipt pertaining to the sales tax.
- On the **Credit** side of the entry, make note of the Originating Department in the Line Description Field. Indicate the SpeedType in the Reference Field.




**DEBIT Side**
**Line Description Field**
Indicate the Cash Receipt date pertaining to the sales tax.

**CREDIT Side**
**Line Description Field**
Indicate
- Originating Department
- Whether the Sales Tax is Food or NON-Food

**CREDIT Side**
**Reference Field**
Indicate the SpeedType of the Originating Department.

5. **By the 10th of reach month** send copies of the Journal Entry and the supporting documentation to:
   **Sales Tax** - Accounting and Business Support (ABS)
   579 UCB.
   This is for audit support. If this material is not sent to ABS, the department will be responsible for producing the necessary documentation in the event of an audit.

6. ABS will pay the taxes when due.

# 7. Departments That Remit Their Own Sales Tax

It is imperative that departments who hold their own Sales Tax License and/or remit their own sales tax payments stay informed about current tax rates, filing frequency, filing/ payment deadlines, and changes in tax regulations. Resources for such departments include:

- City of Boulder Tax Web Site at http://www.ci.boulder.co.us/finance/taxhp.htm
- State of Colorado Web Site at http://www.revenue.state.co.us/.