



## **SALES TAX**

**HAND IN HAND WE LEARN  
APRIL 17, 2019**



# Objective

- To gain a better understanding of sales tax rules and procedures at the University of Kentucky.



# Sales Tax

- Sales tax is the amount of tax levied on sales by the Commonwealth of Kentucky.
- Collecting and remitting sales tax is required by state law KRS Chapter 139.
- KRS 139.495 covers the rules for resident nonprofit institutions like the University of Kentucky.
- 6% sales tax is collected on all taxable sales.
- The amount collected is remitted monthly to the Kentucky Department of Revenue.
- The University has a sales tax permit with Kentucky for sales made by the University.



# Sales Tax

- The University is exempt from paying sales and use tax for purchases made for the University.
  - Vendors are required to keep a copy of UK's Purchase Exemption Certificate on file. A copy of the form is available by emailing [UKPurchasing@uky.edu](mailto:UKPurchasing@uky.edu).



# Sales Tax

- Sales of tangible personal property and digital property to the general public in Kentucky are taxable, unless specifically exempt by statute.
- Sales of certain services are taxable.



# Examples of Taxable Sales

- Cosmetics and nonprescription drugs.
- Clothing and other wearing apparel, costume jewelry, class rings.
- School pictures, yearbooks, magazine subscriptions, records, tapes and similar items.
- Candy, soft drinks, popcorn and other such items sold at schools as well as in conjunction with school events.
- Copier charges.



# Examples of Taxable Sales

- Meals to faculty, staff, other school personnel, guests and members of the general public.
- Concessions including sales through vending machines.
- Sales made through gift shops, cafeterias, etc.
- All sales made by a university book store and supply store except sales of textbooks, related workbooks and other course materials.
- All of the above applies to sales made by the University and not sales made by an outsourced vendor.
- Outsourced vendors are required to collect and remit sales tax on their sales separately from the University.



# Examples of Taxable Services

- Landscaping services.
- Janitorial services.
- Pet care services.
- Industrial laundry services.
- Non-coin-operated laundry and dry cleaning services.





# Examples of Taxable Services

- Linen supply services.
- Indoor tanning services.
- Nonmedical diet and weight reduction services.
- Limousine services if a driver is provided.
- Extended warranty services.



# Labor and Installation

- Labor and installation charges for installing taxable tangible personal property, digital property or service sold at retail are subject.
- Stand-alone labor and installation services are not subject.



# Veterinary Services

- Small animal veterinary services are subject to sales tax.
- All diagnostic testing done for veterinarians to be used in their practices for small animals is subject to sales tax until June 30, 2019.
- On and after July 1, 2019 sales tax does not need to be collected from veterinarians that provide resale certificates.
- Diagnostic testing done for excluded animals is not subject to sales tax.



## Examples of Nontaxable Sales

- Fundraising event sales.
- Sales by school bookstores or university departments of textbooks, workbooks and other course materials. (Barnes and Noble responsibility.)
- Sales of food to students in school cafeterias or lunchrooms. (Aramark responsibility.)
- Sales for which a resale, agricultural or purchase exemption certificate is received.
- Sales to government units, interstate commerce, inter-agency and inter-departmental sales.



# Admissions

- Admissions to athletic events, dances, concerts, plays, lecture series, films, fund raising events, noneducational events and gym memberships sold by nonprofits were subject to sales tax from July 1, 2018 to March 26, 2019.
- New legislation was passed that made these admissions no longer subject to sales tax as of March 27, 2019.



# Evaluating Sales

- Sales of t-shirts
- Career fairs
- Fundraising events
- Goods sold at fundraising events



# Evaluating Customers

- In-state customers.
- In-state customers with resale, agricultural or purchase exemption certificates.
- Internal UK customers.
- State government units.
- Out of state customers.



## Online Out of State Customers

- Several states require sales tax remittance from online sales made in their states by remote sellers.
- The requirements usually include thresholds for number of sales and amounts of sales.
- The University is viewed as one entity.





# Responsibilities

- Departments
  - Collect sales tax in accordance with KRS 139.495.
  - Complete the sales tax form and send to Accounting and Financial Reporting Services (AFRS).
  - Retain sales tax supporting documentation for no less than four years from sale in accordance with KRS 139.720.



# Responsibilities


- AFRS
  - Verify the accuracy of the sales tax reports received from each department.
  - Complete the Kentucky Sales and Use Tax return for the University and remit the amount due to Kentucky Department of Revenue by the 19<sup>th</sup> of each month.



# Reporting Sales Tax Collected

- The sales tax form is located at the eForms page on the University's webpage and is due by the 10<sup>th</sup> of the month. The form is located at the following link:

<http://www.uky.edu/eForms/alphaindex.php?startswith=S>

<b>Sales Tax Form</b>				
Department: University Financial Services				
Last Updated: 12/05/2017				
Contact: Accounting and Financial Reporting Services				
Brief Summary: Use this form to report monthly sales tax collected				

- Once at this page, click on the Excel symbol
- The form is in Excel and includes formulas to calculate the amount owed.



**University of Kentucky**  
**Monthly report of sales tax information**

Month:

Department/Unit   
 Cost Center Number

Total Receipts (Including Total Sales Tax Collected)	Sales for the month (Non-Taxable Sales)	Total Taxable Sales (Including Sales Tax collected)	Total Sales Tax Collected
<u>\$0.00</u>	<u>\$0.00</u>	<input type="text"/>	<u>\$0.00</u>

(\*)Provide the following detail of non-taxable sales:

1 Sales for which resale certificate received	\$	<input type="text"/>
2 Sales for which agricultural certificate received	\$	<input type="text"/>
3 Sales for which purchase exemption certificated received	\$	<input type="text"/>
4 Sales of tax exempt grocery store foods	\$	<input type="text"/>
5 Sales to government units	\$	<input type="text"/>
6 Sales in interstate commerce	\$	<input type="text"/>
7 Service and installation included in total receipts, separately stated	\$	<input type="text"/>
8 Returned merchandise	\$	<input type="text"/>
9 Sales of prescription medicines	\$	<input type="text"/>
10 Sales of motor vehicle/motorcycles licensed for road use, tax already paid	\$	<input type="text"/>
11 Inter-department sales	\$	<input type="text"/>
12 Books and educational supplies	\$	<input type="text"/>
13 Other -Please specify	\$	<input type="text"/>
<b>TOTAL NON-TAXABLE SALES</b>	\$	<u><b>0.00</b></u>

Send completed form to Accounting and Financial Reporting Services, Room 371 Peterson Service Building, 005.

[Bashmin.Manandhar@uky.edu](mailto:Bashmin.Manandhar@uky.edu)

Phone (859) 257-8638

Reports should be submitted no later than the 10th of the following month.

REPORT PREPARED BY  Date   
 Phone

You only need fill the blanks with a light blue background.  
 The form will calculate automatically.



**University of Kentucky**  
**Monthly report of sales tax information**

Month:	<u>Tax Month</u>	<u>Current Year</u>	
Department/Unit	<u>Your department</u>		
Cost Center Number	<u>101xxxxxxx</u>		
Total Receipts (Including Total Sales Tax Collected)	Sales for the month (Non-Taxable Sales)	Total Taxable Sales (Including Sales Tax collected)	Total Sales Tax Collected
<u>\$2,155.82</u>	<u>\$1,152.00</u>	<u>\$1,003.82</u>	<u>\$56.82</u>

(\*)Provide the following detail of non-taxable sales:

1 Sales for which resale certificate received	\$	
2 Sales for which agricultural certificate received	\$	
3 Sales for which purchase exemption certificated received	\$	<u>827.00</u>
4 Sales of tax exempt grocery store foods	\$	
5 Sales to government units	\$	
6 Sales in interstate commerce	\$	<u>325.00</u>
7 Service and installation included in total receipts, separately stated	\$	
8 Returned merchandise	\$	
9 Sales of prescription medicines	\$	
10 Sales of motor vehicle/motorcycles licensed for road use, tax already paid	\$	
11 Inter-department sales	\$	
12 Books and educational supplies	\$	
13 Other -Please specify	\$	
<b>TOTAL NON-TAXABLE SALES</b>	<b>\$</b>	<b><u>1,152.00</u></b>

Send completed form to Accounting and Financial Reporting Services, Room 371 Peterson Service Building, 005.  
[Bashmin.Manandhar@uky.edu](mailto:Bashmin.Manandhar@uky.edu) Phone (859) 257-8638  
 Reports should be submitted no later than the 10th of the following month.

REPORT PREPARED BY Your name Date Today's date  
 Phone Your phone number

You only need fill the blanks with a light blue background.  
 The form will calculate automatically.



# Posting Sales Tax in SAP

- The department posts the amount collected to credit GL account 449070 Sales Tax Collected.
- Each month when sales tax is remitted to the Kentucky Department of Revenue, AFRS posts a debit amount for the charge to the same GL account.
- The amount of Total Sales Tax Collected on the form is reduced by a small amount, this amount is called vendor's compensation. It is calculated and given back to the vendor by the Kentucky Department of Revenue for each sales tax payment made.



# Department Posting of Portion of Sales Tax Collected

Doc.Type : SB ( G/L account posting ) Normal document					
Parked by	MERAWL0	Posted by	CMMCEL00		
Doc. Number	1200321779	Company Code	UK00	Fiscal Year	2015
Doc. Date	12/19/2014	Posting Date	12/19/2014	Period	06
Calculate Tax	<input type="checkbox"/>				
Ref.Doc.	C8K2000000048				
Doc. Currency	USD				
Doc. Hdr Text	Check				

Itn	PK	Account	Account short text	Amount	BusA	Cost Ctr	WBS element	Fund	Assign.
1	40	110059	Check Clearing	3,006.00	0101			0011000000	
2	50	408610	Tuition - CIS	500.00-	0101	1013159160		0011620100	20141219
3	50	408610	Tuition - CIS	245.00-	0101	1013159610		0011620100	20141219
4	50	408610	Tuition - CIS	594.00-	0101	1013162770		0011620100	20141219
5	50	408610	Tuition - CIS	279.00-	0101	1013164190		0011620100	20141219
6	50	440107	Recov Cost Svcs Prov	500.00-	0101	1013159110		0011620100	20141219
7	50	441105	Publication&Pamphlet	664.00-	0101	1013160530		0011620100	20141219
8	50	441105	Publication&Pamphlet	200.00-	0101	1013164130		0011620100	20141219
9	50	449070	Sales Tax Collected	24.00-	0101	1013159030		0011620100	20141219

**Sales tax collected**



# AFRS Posting

Doc.Type : KR ( Vendor invoice ) Normal document					
Doc. Number	1901152734	Company Code	UK00	Fiscal Year	2015
Doc. Date	12/15/2014	Posting Date	12/18/2014	Period	06
Calculate Tax	<input type="checkbox"/>				
Ref.Doc.	D3A30000816				
Doc. Currency	USD				

Itn	PK	Account	Account short text	Amount	BusA	Cost Ctr	WBS element	Fund	Assign.	Text
1	31	182999	Kentucky Revenue Cab	2,437.44-					1901152...	*SALES TAX COL
2	40	449070	Sales Tax Collected	67.01	0101	1013156120		0011690100	20141218	
3	40	449070	Sales Tax Collected	132.41	0101	1013157790		0011620100	20141218	
4	40	449070	Sales Tax Collected	0.56	0101	1013157940		0011621300	20141218	
5	40	449070	Sales Tax Collected	55.91	0101	1013159030		0011620100	20141218	
6	40	449070	Sales Tax Collected	360.33	0101	1013162100		0011680100	20141218	
7	40	449070	Sales Tax Collected	1.39	0500	1013189610		0011674100	20141218	
8	40	449070	Sales Tax Collected	41.50	0101	1043142770		0041427700	20141218	
9	40	449070	Sales Tax Collected	689.23	0101	1043800160		0041801600	20141218	
10	40	449070	Sales Tax Collected	7.54	0101	1043801560		0041815600	20141218	
11	40	449070	Sales Tax Collected	0.79	0101	1013206710		0011620100	20141218	
12	40	449070	Sales Tax Collected	47.50	0101	1013208100		0011620100	20141218	
13	40	449070	Sales Tax Collected	31.54	0103	1033150010		0031500100	20141218	
14	40	215000	Sales Tax Payable	1,001.73	0111			0051900100	20141218	

**Sales tax remitted** →





# Sales Tax Questionnaire

- AFRS has developed a questionnaire to gather information concerning sales tax.
- Departments can fill out the questionnaire and send it to AFRS for an informed determination on sales tax liability.
- This form can be found at the following link:  
<https://www.uky.edu/ufs/accounting-and-financial-reporting#links>

- [Sales Tax Questionnaire \(DOC\)](#)



# Student Audits

- Student interns have conducted several audits of sales tax under AFRS supervision.
- Audits have covered several cost centers in several Colleges.
- The first group of student interns identified 10 cost centers for AFRS review and 5 were identified as possibly having sales tax liability.



# Resources

- The Business Procedures Manual includes information and instructions concerning sales tax in document E-6-1, which can be found at this link:  
<http://www.uky.edu/ufs/sites/www.uky.edu.ufs/files/bpm/E-6-1.pdf>
- Contact at AFRS:
  - Rashmin Manandhar
  - Rashmin.Manandhar@uky.edu
  - 859-257-8638



# Questions?

