

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 [KRS139.495](#) 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. Meals to faculty, staff, other school personnel, guests and members of the general public.
5. Concessions including sales through vending machines.
6. Copier charges.
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. Small animal veterinary services, excluding veterinary services for equine, cattle, swine, sheep, goats, llamas, alpacas, ratite birds, buffalo, and cervids. Poultry will be added as of July 1, 2019. Diagnostic testing services done for veterinarians to be used in their practices are subject to sales tax for animals not excluded unless for resale effective July 1, 2019.
9. Labor and installation charges for labor rendered in installing or applying taxable tangible personal property, digital property, or service sold at retail. Stand alone labor and installation charges and labor and installation charges for installation of fixtures to real property are not subject to sales tax.

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10. Any other tangible personal and digital 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, fitness and recreational sports centers, swimming pools, tennis courts, displays, programs, music concerts, performances, plays, movies, exhibits, fairs and other entertainment or amusement events.
2. Classes to obtain a professional designation, continuing education credits, or certified training programs such as lifeguard certification classes are exempt. School tuition, registration fees, or charges paid to attend instructional seminars, conferences, or educational workshops are not taxable sales of admissions if the primary intent of the program is for education.
3. Fundraising event sales.
4. Sales by school bookstores or university departments of textbooks, workbooks and other course materials.
5. Sales of food to students in school cafeterias or lunchrooms.
6. Sales for which a resale, agricultural or purchase exemption certificate is received for both tangible and digital goods and services.
7. Sales to government units, interstate commerce, inter-agency and inter-departmental sales.
8. Team membership fees.
9. Professional or fraternal order memberships.
10. Instructor-led recreational classes or one on one instruction for swimming lessons, fitness classes, personal trainer exercise instruction, riding lessons, golf lessons and other similar classes.
11. Day care or child care facilities and fees.
12. Summer resident camps and day camps with educational/instructional components.
13. Personal training received for music lessons, dance lessons, art classes - painting, pottery, and other similar training.
14. Driver's license, hunting license, or fishing license fees.
15. General facility rentals - conference rooms, ballrooms, temporary storage facilities.
16. Rental of pool facilities.
17. Locker rentals at health clubs, gyms and golf courses.

III. Responsibilities

A. Department

1. Collect sales tax in accordance with [KRS139.495](#).
2. Complete the [sales tax form](#) and send to Accounting and Financial Reporting Services.
3. Retain sales tax supporting documentation for no less than four years from sale in accordance with [KRS139.720](#).

B. Accounting and Financial Reporting Services

1. Verify the accuracy of the sales tax report.

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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 Accounting and Financial Reporting Services (371 Peterson Service Building, 0005) by the 10th of each month for activity on prior month.
 2. Accounting and Financial Reporting Services
 - 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 Accounting and Financial Reporting Services at 859-257-8638.