

#51 SCHOOLS

An Educational Guide to Sales Tax in the State of Idaho

This brochure is intended to answer some of the most common questions about sales tax as it applies to schools. This information is based on the sales tax laws and rules in effect on September 1, 2006.

PURCHASES

Do schools have to pay sales tax on their purchases?

Educational institutions, such as public and nonprofit colleges, universities, and primary, secondary, and charter schools are exempt from paying sales tax. To qualify for this exemption, the school must offer a diversified course of study. A school that offers only a specialized field of study—such as dance, music, business, or cosmetology—doesn't qualify for the exemption.

How do schools claim an exemption?

Schools give their suppliers a completed form ST-101, Sales Tax Resale or Exemption Certificate. Once this form is on file with a vendor, it's valid for all future exempt purchases.

Can a school outside Idaho qualify for this exemption?

Yes. An out-of-state, nonprofit school qualifies for this exemption. The out-of-state school must give the vendor a completed form ST-101.

Does a student activity group, like a Drama Club or FFA, qualify for this exemption?

Generally, the exemption doesn't extend to student activity groups. However, a purchase is exempt if it's paid by a check drawn on the "Associated Student Body Fund" and the school is responsible for the funds. The school must give the seller a completed form ST-101.

Are parent groups, teacher associations, school foundations, alumni, or booster clubs exempt from paying sales tax?

No. The exemption for schools doesn't apply to affiliated groups.

Do school employees have to pay sales tax on school purchases?

Yes. When teachers or school employees buy school supplies or travel on school business, they must pay sales tax when they pay with cash or a credit card for which they are responsible, even if they'll be reimbursed by the school district.

The employees can claim an exemption only when these charges are directly billed to the school and paid for by a school check. The school must give form ST-101 to the vendor.

If our school is exempt, why does a contractor have to pay tax when he does work for us?

The sales tax law says that a contractor is the "ultimate consumer" of the goods he attaches to real property. He must pay the tax on the value of the goods he installs, whether he buys them or the school provides them. Even though this means that the school will reimburse him for the tax he paid, the law doesn't provide an exemption from the tax just because the school is the final owner of the property.

SALES

Does a school have to collect sales tax for a fund-raiser?

Schools aren't exempt from collecting tax on retail sales. If the fund-raiser involves selling tangible personal property such as T-shirts, sweatshirts, candy, or any of the other sales the law requires to be taxed, the school must get a seller's permit and collect sales tax.

What about student activity groups, parent groups, PTAs, or other groups that hold a fund-raiser?

The group must have a seller's permit and collect sales tax if it's making retail sales. If it doesn't have a regular seller's permit, the group must get a temporary seller's permit from the Idaho State Tax Commission to cover a specific event. Up to three temporary seller's permits are allowed in a year. If more than three events are held each year, a permanent seller's permit is required.

Does sales tax apply to school raffles and auctions?

The sale of a raffle ticket is a sale of a "chance to win," not a sale of tangible personal property. Sales tax doesn't apply to the sale of the raffle ticket.

On the other hand, an auction generally involves the sale of taxable goods and services. When these items are auctioned, sales tax must be collected. This is true even if the items being auctioned were donated. If the item is a service that isn't taxable under Idaho law, no tax is collected.

If the buyers are notified of the retail price of the items being auctioned, sales tax is charged only on the retail price. The buyer's invoice and the seller's records must show the retail price as well as the sales price. *For example*, if a cake that sells for \$10 at a store is auctioned for \$100, sales tax is collected on \$10. The buyer's and the seller's sale document will show: cake \$10, tax \$.60 (if the tax rate is 6%), donation \$89.40. If these procedures aren't followed, sales tax is charged on the full \$100.

Does a school have to collect sales tax on admission charges to its events?

Yes. Idaho law defines the term "sale" to include "admission charges" and "receipts for the privilege of using tangible personal property or other facilities for recreational purposes." This includes sales of activity cards and admission charges for athletic events, dances, carnivals, plays, and reunions. Educational use of a facility isn't subject to sales tax.

What if the admission charge is a donation?

If there's a set fee or suggested admission charge, sales tax must be collected even if the charge is called a donation. If there's no set or suggested charge and admittance is allowed with or without a donation, no sales tax is collected.

Does a school have to charge sales tax when renting a facility like a gymnasium or auditorium to another group?

If the facility is rented for recreational purposes, sales tax must be collected. If the group charges admission, the school is relieved of its obligation to collect sales tax. The school's records must document the fact that admission was charged. The group renting the facility must then collect sales tax on the admission charges.

Are meals served by a school taxable?

Meals served to students by public or private schools aren't taxable if they're funded by the federal school lunch program. These include breakfast, lunch, and snacks. Sales tax applies to all other sales of meals.

Are sales through vending machines taxable?

Yes. Sales tax on items sold through vending machines must be calculated according to the following formula:

- Items sold for 12¢ through \$1 are taxed at 117% of the seller's cost.
- Items sold for 11¢ or less aren't taxable.
- Items sold for \$1.01 or more are taxed on the full retail sales price.

Example: A school buys soda for 30¢ a can. It sells the soda through a vending machine for 75¢ a can. In March the school sells 100 cans of soda and collects \$75 from the vending machine. To determine the sales tax owed for March, the school uses the following formula: (Formula: $30¢ \times 100 = \$30 \times 117\% = \$35.10 \times \text{current tax rate} = \text{total tax due}$)

Example: A school sells sandwiches through a vending machine for \$2. In April the school sells 100 sandwiches and collects \$200 from the vending machine. If the sales tax rate is 6%, the school owes \$11.32 in sales tax for April. (Formula: $\$200 \div 1.06^* = \$188.68 \times 6\% = \$11.32$) *If the tax rate is 5%, divide by 1.05, etc.

If a school gives its supplier a completed form ST-101, it may buy the resale inventory for the vending machine exempt from sales tax.

When someone other than the school owns and operates the vending machine and pays the school for the right to have the machine there, the owner/operator is responsible for all sales taxes.

Are concession stand sales taxable?

Yes. Tax is added to the total selling price and collected from the buyer at the time of sale.

IN GENERAL

Taxable sales by schools or school groups include, but aren't limited to:

- Activity tickets
- Admission fees — athletic events, dances, plays, assemblies, movies, carnivals
- Assets — buses and surplus equipment
- Athletic department sales — tennis balls, bats, knee pads
- Band equipment and uniforms
- Book club and book fair sales
- Bookstore sales
- Class rings
- Class supplies — paper, pencils, art supplies
- Clothing — jackets, hats, T-shirts, uniforms, shorts
- Computer training workbooks
- Concession sales
- Dorm room rentals for short durations (Other room taxes may apply. Contact the Tax Commission for more information.)
- Textbooks and workbooks
- Faculty room coffee and soda pop
- FFA — sales (other than animals at the fair) to members and the public
- Fund-raiser sales of taxable goods and services
- Magazine subscriptions
- Meals — all sales except those reimbursed by the federal school lunch program
- P.E. clothes
- Pictures
- Program sales at games
- School store sales
- School supplies — pens, paper, book covers
- Uniform sales and rentals
- Vending machine sales (tax is computed by special formulas)
- Yearbooks

These sales are *not* taxable:

- Advertisement space in annuals or athletic programs
- Book replacement fees
- Breakage fees — lab, shop
- Car wash income
- Dues — class dues, club dues
- Meals to students through the federal school lunch program
- Library fines
- Raffle tickets
- Rental of recreation facilities when the person renting the facility will charge admission
- Rental of school facilities for nonrecreational purposes, such as educational or religious programs
- Sales totaling 11¢ or less
- Sales of FFA animals at a fair
- Shared income from events or sales when the tax is paid by another, such as a parent-teacher group
- Towel laundry service
- Tuition
- Vending machine commissions (when the tax on the sales through the machine is paid by the operator who puts the machine in the school)

For more information, read:

Brochure #4	Retailers
Brochure #5	Retailers and Wholesalers: Making Exempt Sales
Brochure #50	Nonprofit Groups & Churches
Brochure #52	Government
Rule 030	Admissions Defined
Rule 043	Sales Price or Purchase Price Defined
Rule 058	Sales Through Vending Machines
Rule 094	Exemptions on Purchases by Political Subdivisions, etc.

For more information, contact:

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- **tax.idaho.gov**

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission or a qualified tax practitioner.