

UC Davis Policy and Procedure Manual

Chapter 340, Rates, Recharges, and Sales Activities

Section 06, State Sales and Use Tax Collections

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Responsible Department: Accounting & Financial Services

Source Document: UC Accounting Manual Chapter T-182-73, Taxes: Sales and Use Tax

Exhibit A, Computation of Sales Tax

I. Purpose

The California Sales and Use Tax Law applies to sales of goods by University departments to outside organizations (i.e., organizations that are not departments of the University) and the general public (which includes employees and students). This section describes departmental responsibilities for charging and collecting California sales and use taxes.

II. Definitions

- A. Retail sale--the sale of any tangible personal property, as defined by law, for any purpose other than resale.
- B. Sales tax--tax imposed upon a retailer for the privilege of selling tangible personal property at retail.
- C. Use tax--tax imposed upon any person who stores, uses, or otherwise consumes in California tangible personal property that was not subject to sales tax.
- D. District tax--an additional tax imposed on the sales/use tax that is assessed on a particular geographic area.

III. Policy

The University, like other State agencies and local government agencies, is subject to State-administered sales and use tax laws to the same extent as private individuals or businesses.

- A. Responsibilities
 - 1. Departments or units (including auxiliary enterprises) making sales to non-University clientele are responsible for assuring that all State sales and use taxes due and collectible at the point of sale are charged to purchasers.
 - 2. The campus Accounting & Financial Services Office is responsible for campus compliance with the sales and use tax laws and is responsible for the filing of the sales and use tax returns.
- B. Retail sales (other than leases)
 - 1. The University is liable for sales tax on all its retail sales delivered in California, except sales to the Federal government or sales otherwise exempt. Neither the residence of the purchaser nor the purchaser's intended place of use of the purchase has any effect on the tax liability. The University must pass its tax obligation to the purchaser at the time of the sale (or at another time only if the contract with the purchaser so stipulates). If it fails to do so, it no longer has the legal power to enforce collection of the tax from the purchaser.
 - 2. When the University delivers a retail sale out of state and the purchaser is known to be a California resident, it must collect California use tax from the purchaser, unless some evidence is furnished by the purchaser that the goods are to be used out of state or unless the purchaser is exempt from paying use tax. If the purchaser fails to provide evidence, the University must collect the tax and remit it to the Board of Equalization. The tax is due at the time of the sale. When a retail sale is delivered out of state and the

purchaser is not a California resident, the University is not liable for and does not have to collect any tax.

C. Sales for resale

University departments selling taxable items must assume that their sales are retail sales until the purchaser establishes the contrary. The University is not relieved of its sales tax liability or duty to collect use tax on a sale until the purchaser submits evidence that the purchase is being made for resale. Departments should, therefore, require any purchaser, regardless of residence, who claims exemption from the tax and takes delivery of goods in California to submit a resale certificate stating, among other things, the purchaser's Seller's Permit number if applicable. The requirement also applies to any purchaser known to be a California resident who takes delivery of goods out of state.

D. Exempt sales

1. Food service

- a. Sales of meals to students by the University are exempt from sales tax; sales of meals to faculty, staff, or others are taxable, however, since no exemption is provided by the law. All carbonated beverages are taxable regardless of the purchaser's status. Students may be required to identify themselves as students at the point of sale in order for their purchase to be exempt from the tax, or the unit may periodically estimate the ratio of student meals to nonstudent meals served and pay sales tax on the estimated nonstudent meals.

Note: When separately stated charges are made for the rental of room facilities in connection with sales of meals, such charges are not deductible from taxable gross receipts from the sale of meals where payment for the use of the facilities is required or is a necessary part of the meal service.

- b. Meals served to patients by University hospitals are also exempt.
- c. Sales of meals to students by food service firms under contract to the University are taxable if the sales transaction is between the student and the firm. However, under some food service contracts, meals are sold to the University for resale to contract boarding students; these are exempt from sales tax as sales for resale. The resale of the meals by the University is then exempt as a sale by a school.

2. Medicines

Prescribed medicines issued by University pharmacies are exempt if they are dispensed under conditions specified by law. Medicines must be prescribed for the treatment of a human being by a person authorized to prescribe the medicines, and dispensed on prescription filled by a registered pharmacist in accordance with law. "Medicine" includes substances and preparations commonly used in the treatment of disease, but does not include any auditory, prosthetic, ophthalmic, or ocular device or appliance, nor any alcoholic beverage.

3. Periodicals

Periodicals published quarterly or more often by University departments or other units are exempt from tax. The University must collect tax on sales of other periodicals, however.

4. Animals, feed, seeds, plants, and fertilizers

Animals for human consumption, feed for such animals, seeds and annual plants for human consumption, and fertilizer to be applied to land used to grow products used as food for human consumption are exempt.

5. Printed matter consisting of sales messages

Catalogs, letters, circulars, brochures, and pamphlets consisting substantially of printed sales messages for goods and services printed to the special order of the purchaser and which will be delivered by the seller or the seller's agent to any other person at no cost to that person are exempt.

E. Leases

1. A lease of tangible personal property by the University is subject to tax, except when the lease is specifically exempt under the law, as long as the leased property is located in California. In general, the lease of the following tangible personal property is exempt from the tax:
 - a. Motion picture films and videotapes, including those for television, whether or not they are productions complete in themselves.
 - b. Linen supplies and similar articles, including such items as towels, uniforms, coveralls, shop coats, dust cloths, caps, and gowns, when an essential part of the lease is the furnishing of the recurring service of laundering or cleaning of the articles leased.
 - c. Household furnishings with a lease of the living quarters in which they are to be used. The lessor of the household furnishings must also be the lessor of the living quarters. The living quarters must be real property rather than tangible personal property.
 - d. Mobile transportation equipment for use in transportation of persons or property.
 - e. Tangible personal property leased in substantially the same form as acquired by the lessor if the lessor has paid sales or use tax measured by the purchase price of the property.
2. When a lessee, such as the Federal government, does not have to pay use tax on purchases under the law, the University has a tax liability on the lease and must pay the tax to the Board of Equalization. The University can attempt to recover the tax cost by increasing the lease rentals or contracting for tax reimbursement. Whether or not the recovery can be accomplished is a matter of bargaining between the University and the lessee. The tax is due when rentals are paid or payable to the University.
3. If the lessee is not exempt, the lessee must pay the tax to the University, who remits it to the Board of Equalization.
4. The University has no tax liability or obligation to collect California tax on a lease of University property located out of state.

IV. Procedure

A. Computation and reporting of sales taxes

Instructions regarding the computation of sales tax are provided in Exhibit A. Departments desiring assistance in report form design (to accommodate the computation and reporting of sales taxes) may call Accounting & Financial Services, Tax Accounting, (530)757-8505, for assistance.

B. Sales tax return

The Davis campus has been assigned the following identification numbers by the State Board of Equalization:

Yolo County sales locations and outlying stations, SY KHF 29-047481-001.

Sacramento County sales locations, SY KHF 29-047481-002.

The sales tax accounts on the campus General Ledger are:

Yolo County and outlying stations, 3-1155100-0510.

Sacramento County, 3-1155110-0510.

V. Further Information

For further information on sales and use taxes, call Accounting & Financial Services, Tax Accounting, (530)757-8505.

VI. References and Related Policy

- A. UC Accounting Manual Chapter [T-182-73](#), Taxes: Sales and Use Tax.
- B. California Revenue and Taxation Code, Part 1, Division 2.
- C. UCD Policy & Procedure Manual:
 - 1. [Section 330-05](#), Business Contracts.
 - 2. [Section 330-50](#), Sales of University Supplies and Services.
 - 3. [Section 330-55](#), Departmental Cashiering Operations.
 - 4. [Section 340-05](#), Cost Recovery for Sales of Goods and Services to Non-University Clientele.