

NYS Sales Tax Collection Responsibility

Exempt Purchases

Exemption from sales tax obligations under New York State (NYS) law is determined by the “nature of the purchaser” and the “use” by that purchaser of goods and services procured. RIT is a tax-exempt corporation, organized under the laws of New York State. As such, when purchasing goods and services for business use, departments are entitled to claim an exemption from NYS Sales & Use tax. Details about RIT’s sales tax exemption are available on the Controller’s Office web page: <http://finweb.rit.edu/controller/accounting/taxexemption.html>.

Sales Made by RIT to Non-Exempt Purchasers

RIT is also registered with the NYS Department of Taxation and Finance as a merchant and is obligated to collect sales tax on sales made to non-exempt purchasers. Examples of taxable sales on campus include:

- ✓ Food sales in the various dining establishments (other than board plans for which there is a specific exemption)
- ✓ Candy sales in the SAU
- ✓ Apparel sales in Campus Connections
- ✓ Taxable services provided with Fieldhouse rentals

RIT’s tax-exempt status does not eliminate our obligation to collect sales tax on sales to non-exempt purchasers of our goods and services. Remember, as stated above, exemption from the NYS Sales Tax obligation depends upon the purchaser, not the seller.

Departments who regularly collect sales tax (e.g., Dining Services, Campus Connections) have processes in place to include sales tax in the payments received from their customers. Other RIT business units/departments that sell goods or services also have to collect sales tax from their customers. Gross cash receipts must be segregated between: a) revenue, and b) sales taxes collected and due to NYS. Examples of these types of activities include:

- ✓ KGCOE pizza sales to students – 8% sales tax rate
- ✓ Campus Connections apparel sales to faculty, staff, and students – 4% sales tax rate

If your department sells goods or services, please contact the Accounting Office. The staff will establish a general ledger account into which you can deposit sales tax collections. Accounting will then remit those tax collections to NYS as part of the RIT’s regular monthly tax filing.

For example, let's assume you are selling T-shirts with your departmental logo on them for \$10.00 each. This is a taxable sale since the purchaser is typically not entitled to a tax-exemption. Here's what you have to do:

1. Contact the Accounting Office at ext. 5-2237 or 5-2375 and ask them to establish a general ledger account to record the sales tax collections (if one has not already been created).
2. Include an allowance for sales taxes in the price of your product (in this case at the 4% rate for clothing in Monroe County). The price can be quoted with or without tax. For example:
 - ✓ You can sell the shirts for \$10.40 (\$10 plus \$.40 for the 4% tax)
 - ✓ Or, you can sell the shirts for \$10.00 tax included (\$9.62 plus \$.38 for the 4% tax). In this case, your department will receive only \$9.62 in revenue from the sale.

If you have questions about the appropriate sales tax rate to use, please contact the Accounting Office at ext. 5-2237 or ext. 5-2375.

3. When you deposit the funds from the sales, separate the total sales into "sales revenue" and "sales tax collected" and credit each general ledger account for the appropriate amount.

Example: A department in the College of Engineering sold 10 shirts to students at \$10.00 each, tax included. The Deposit ID from to record the sales revenue and sales tax is completed as follows:

01.63200.59000.00.00000.00000	\$ 96.20	(revenue account)
01.63200.32000.00.00000.00000	<u>\$ 3.80</u>	(sales tax liability)

Total cash collected and deposited: \$100.00

Please indicate "Clothing Sales" on the deposit slip. This notation provides Accounting with the information required to properly record the sales tax as clothing on the NYS Sales Tax Return.

4. The Controller's Office will remit the sales taxes collected to NYS on a monthly basis.

If you have questions about this procedure, or RIT's responsibility for sales tax collection in general, please contact the RIT Accounting Office at ext. 5-2237 or ext. 5-2375.