



WICHITA STATE UNIVERSITY

Audit Update

A Newsletter from the
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Sales Tax Fundamentals

Purchases made by public nonprofit educational institutions like Wichita State University are exempt from sales tax as long as the purchase is used primarily for nonsectarian educational programs and activities of the institution. However, there are no statutes that allow these institutions to make **sales** without collecting and remitting sales tax, unless the purchaser provides a valid tax exemption certificate.

Certain activities we may view as fundraising or cost-recovery, the Kansas Department of Revenue views as sales. It doesn't matter whether the proceeds are used for a worthy cause or that there is no mark up for profit, the sale may be taxable. For example, photocopying charges collected from faculty, staff, students, recognized student organizations or the general public is subject to sales tax. Photocopying charges collected from University departments is not subject to sales tax since purchases by the University are generally not subject to sales tax.

The following are examples of sales subject to sales tax:

- Admissions (sports, plays, concerts, movies)
- Newspapers, magazines, and books*
- Clothing, t-shirts, uniforms, sporting goods
- Health supplies
- Pencils, paper, school supplies
- Art, science, and laboratory supplies
- Food and beverages, concessions, bake sales
- Printing and duplicating charges
- Lock rentals (separate from locker rentals)
- Rental of personal property (equipment, towels, musical instruments)

* Section 17.01 of the *WSU Policies and Procedures Manual* requires textbook requisitions be processed through the University Bookstore.

The following are examples of sales that are not subject to sales tax:

- Fees for educational programs
- Advertising in newspapers
- Dues for clubs or organizations
- Book rentals
- Locker rentals
- Building, room, or facility rentals
- Reimbursement for lost or destroyed books
- Reimbursement for lost or destroyed equipment

Effective January 1, 2008, the sales tax rate in Sedgwick County decreased from 7.3% to 6.3%.

The following provides guidance relative to the various entities associated with WSU or otherwise located on campus that should and should not be assessed sales tax on their purchases.

Entities/Groups Subject to Sales Tax

- WSU Union Corporation (d.b.a. Rhatigan Student Center)
- WSU Alumni Association
- Campus Credit Union
- Recognized student organizations

Entities/Groups Exempt from Sales Tax

- Wichita State University (including its colleges, departments, and the Student Government Assn.)
- WSU Foundation
- WSU Board of Trustees
- WSU Intercollegiate Athletic Association

Reporting and Remitting Sales Tax

Departments should maintain records that document taxable sales. When making a deposit to your department's account, the proceeds should be divided between the applicable revenue account codes and account code R80121, State Sales Tax. For example:

R80099	Duplicating Charges	\$ 2,351.84
R80121	State Sales Tax	148.16
	Total deposit	<u>\$ 2,500.00</u>

To calculate the portion of the proceeds that is sales tax, use the following formula:

Total deposit x .059265 = sales tax at 6.3% rate

For example, using the numbers from above:

Total deposit	\$ 2,500.00
x adjustment factor	.059265
Sales tax	<u>\$ 148.16</u>

The total sales tax collected each month is reported and remitted to the state by the Office of Financial Operations.