



# ADMINISTRATIVE PROCEDURE

## SALES TAX

5137

Procedure No.

April 15, 2016

Date

- I. **PURPOSE:** To provide direction to school principals for the collection and recording of sales tax liabilities resulting from the sale of goods and merchandise through school stores. Effective April 2016, sales tax remittance is handled by the Treasury Operations Office.
- II. **BACKGROUND:** In accordance with Title 03, Comptroller of the Treasury, Subtitle 06, Sales and Use Tax, Code of Maryland Regulations, sales of goods made through the school store are subject to State of Maryland sales and use tax. Schools are responsible for collection and remittance of such taxes to the Comptroller of the Treasury when they conduct the actual sales, with the exception of fundraising sales, which are exempt from sales tax, when certain conditions are met as outlined below.
- III. **PROCEDURES:**
- A. **Tax Rate:** Unless specifically excluded or exempt from general Maryland sales and use tax, all sales by school stores are subject to 6% sales tax. Maryland Code, Tax-General Article §11-204(b), exempts all fundraising proceeds by parent-teacher organizations from sales tax.
- B. **Tax Calculation and Taxability:**
- Individual sales totaling less than 17 cents are not subject to sales tax.
  - The sales tax amount must be listed separately from the sales price.
  - Vending machines gross receipts are subject to the 6% sales tax.** If the machines are controlled and operated by the school (i.e., the machines are stocked and monies removed by school personnel), collection and remittance of the tax is the responsibility of the school. However, when vending machines are owned and operated by a commercial vendor or distributor who pays the school a commission in exchange for allowing the installation of the machines within the school premises, the responsibility of collecting and remitting the sales tax falls on the vendor.  
  
When vending machines are stocked with candy, as well as snack foods, the tax liability should be determined only on the candy sales. Snacks are defined as food for light meals or for eating between meals; whereas candy, also called sweets, is a confection that features sugar as the principal ingredient. However, if there is no easy or reliable way to make that determination, the amount of tax liability attributable to candy sales must be estimated.
  - The sales tax applies before any prompt payment discounts, commission or core charges, manufacturer's rebates, as well as, to all services necessary to complete a sale - e.g., assembly, fabrication, alteration, engraving, monogramming, customization, etc.



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5. Soft drinks, candy, and confectionery are subject to sales tax. Examples of other items subject to sales tax are: yearbooks, scholastic books, weekly readers, gym suits, keys, summer packets, wrapping paper, greeting cards, bake sale items (regardless of whether acquired by purchase or donation), items sold at the school store and by clubs and organizations.
  6. Unprepared food sales, such as pizza kits, cookie mixes, fresh fruits, etc., including food concessionaires, as well as, snack food items (i.e., pretzels, chips, and pork rinds) sold to elementary and secondary schools are not exempt, unless sold as fundraisers.
  7. Fundraising sales: In order to qualify for the fundraising exemption granted in the Maryland Code, Tax-General Article §11-204(b), all fundraisers must have an approved Fundraiser Authorization Form (FAF), prior to the event, and a Fundraiser Completion Report (FCR), after the event. School-wide fundraisers also require completion of both forms. However, the FAF does not have to be signed by the Principal for school-wide fundraisers.
  8. Exempt items: In addition to items sold as fundraisers, additional examples of items exempt from sales tax include: tickets for athletic events and school dances (although food and beverage sold during the events are subject to tax), food sold in school cafeteria as part of the Food and Nutrition Services program, fees charged for the use of school facilities (rental fees), parking permit fees, book fines, and flags of the United States and Maryland.
- C. Mechanism for the Collection, Recording, and Reporting of Sales Tax:
1. Each location engaged in sales subject to sales tax must collect and record appropriate amounts to *School Funds Online (SFO)*, the School Activity Fund (SAF) accounting software used by the Prince George's County Public Schools (PGCPS). The actual remittance of sales tax for all schools is handled by the Treasury Operations Office.
  2. Sales tax payments are remitted to the State by the Treasury Operations Office, based upon each school's record of taxes collected, as posted to their *SFO* sales tax account number 460.00. The Treasury Operations Office will directly debit from each school's SAF checking account the amount that matches its quarterly sales tax payable. All schools' taxes will be paid to the State by the Treasury Operations Office by the 17<sup>th</sup> (or next business day) of the month following the quarter being reported, and corresponding debits from the schools' SAF accounts will occur within the next two business days. No other filing or remittance, by the schools, to the State, is required.



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3. Treasury Operations remits the payment electronically via the Comptroller of Maryland website's *bFile* link, based on the total payment amount due on a disbursement authority (DA) received from the Accounting and Financial Reporting Office. The DA is supported by the amounts due from each school taken from the quarter ending trail balance.
4. Any adjustments, such as over- or under-payments of sales tax due shall be applied to the subsequent quarter.
5. The Board will apply with the Comptroller of Maryland for a separate sales tax license for every new school or location engaged in sales subject to sales tax. This process is handled by the Treasury Operations Office by completing a Maryland Combined Registration Application form found at <https://interactive.marylandtaxes.com/webapps/comptrollercra/>.
6. All schools fall, legally, under the umbrella of the Board's Federal Employer Identification Number (FEIN). Item 1.a., Section A of the application will reflect the FEIN for the Board of Education: 52-6000992 (note that the social security number of the agent responsible for the taxes is also required). Item 2 will reflect the legal name of the Board of Education, i.e., Board of Education of Prince George's County, item 3 will reflect the name of the particular school location for which the number is being requested, and item 12 will reflect that Board's master, eight-digit Central Registration Number (CRN).
7. The State Comptroller will assign the school location an eight-digit CRN, which the State will link to the Board's master CRN. The school CRN number is for the State's purpose only. The Central Office will include the new schools' payments due based upon amounts recorded in *SFO*.

D. Record Keeping:

1. Records must distinguish between taxable and non-taxable sales and purchases. Records must also be kept for five (5) years and made available for inspection by the Comptroller of Maryland.
2. Examples of records required to be maintained include: original invoices, bills of lading, receipts for purchases, purchase orders, cash register tapes, sales slips, release certificates, documentation for exempt sales, mailing or shipping documentation for out-of-state deliveries.
3. Failure to keep records or maintenance of inadequate records may result in assessments based on surveys of similar businesses, projection from available records, or any other reasonable basis.



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- IV. **RELATED PROCEDURES:** Administrative Procedure 5135.1, Fund Raising.
  - V. **MAINTENANCE AND UPDATE OF THESE PROCEDURES:** The Business Operations Department is responsible for updating these procedures as needed.
  - VI. **CANCELLATIONS AND SUPERSEDURES:** This Administrative Procedure cancels and supersedes Administrative Procedure 5137, dated January 22, 2016..
  - VII. **EFFECTIVE DATE:** April 15, 2016.

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