

# SALES TAX FLOW CHART

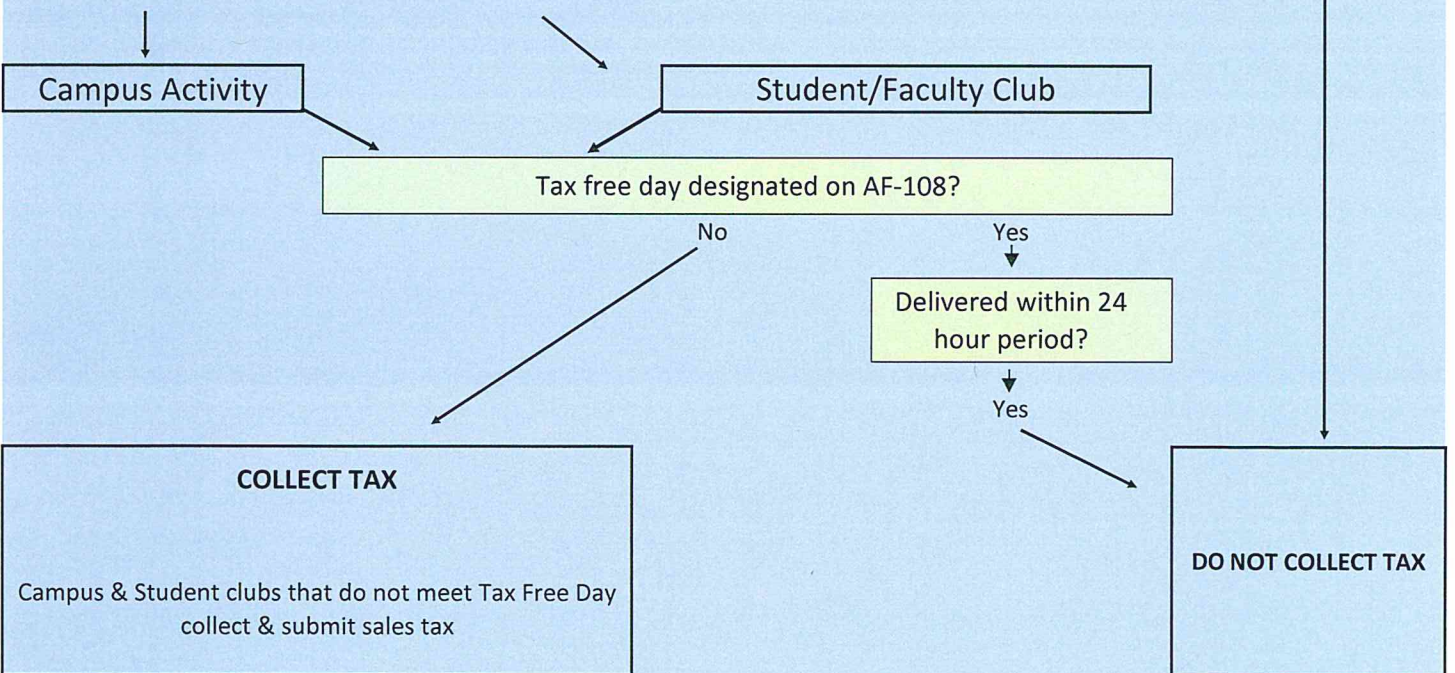
## PURCHASES



## SALES

- | TAXABLE<br>(Sales & Fundraisers) |                     |
|----------------------------------|---------------------|
| Agendas & calendars              | Greeting cards      |
| Art supplies                     | Handicrafts         |
| Athletic equip & uniforms        | Locks               |
| Auto parts & supplies            | Merchandise         |
| Band equip & uniforms            | Magazines           |
| Books & covers                   | Music supplies      |
| Brochure items                   | Career & Tech parts |
| Candles                          | PE uniforms         |
| Cheer Uniforms                   | Pictures            |
| Clothing                         | Pens & Pencils      |
| Computer supplies                | Rentals             |
| Cosmetology products             | Rings               |
| Decals                           | Uniforms            |
| Directories                      | School publications |
| Laminating-copy - printing fees  | School store        |
| Flowers                          | Spirit items        |
|                                  | Yearbooks           |

- | NOT TAXABLE   |                                     |
|---|-------------------------------------|
| Ad sales  | Exam fees                           |
| Admission - camps   | Facility rentals (to school groups) |
| Admission - events  | Field trip fees                     |
| Band fees   | Food items                          |
| Car washes  | ID Cards                            |
| Club membership   | Labor                               |
| Commissions   | Library fines                       |
| Concessions   | Lost textbook fines                 |
| Cosmetology Svcs  | Parking permits                     |
| Discount cards  | Passbooks                           |
| Dues  | Transcripts                         |
| Including fines for lost ID cards, calculators, etc. issued by district |                                     |



# Sales Tax

## **A. Exempt Organization**

1. As a special district authorized by the State of Texas, Killeen ISD is exempt from paying sales taxes on goods and services used for educational purposes.
2. Since the District is exempt from sales taxes when proper purchasing procedures are followed; employees will NOT be reimbursed for sales taxes paid on individual purchases—even if they are for use by the District.
3. The sales tax exemption derives from the special status of the District; therefore, the Killeen ISD tax identification number CANNOT be used by employees, parent groups, patrons, or other organizations to secure exemption from sales taxes under any circumstances.

## **B. Purchases by an Exempt Organization**

The purchase, lease, or rental of a taxable item is exempt from tax when:

1. The item is directly related to the educational purpose of the school
2. The item remains school property and ownership does not pass to an employee, student or other individual
3. The school or employee pays for the item; and
4. The vendor is provided with a Texas Sales Tax Exemption Certificate or Purchase Order issued by the District

## **C. School Purchases**

1. Campus Activity purchases may be exempt. It will depend on who benefits from the purchase.
  - a. If the purchase benefits the whole campus then it is tax exempt. A Texas Sales Tax Exemption Certificate should be provided to vendor at purchase.
  - b. If the purchase does not benefit the whole campus then sales tax must be paid at the time of purchase.
2. Student Activity purchases are not exempt from sales tax. However, if the student/faculty club plans to sell items in a fundraiser, the purchase then becomes non-taxable and a Texas Sales Tax Exemption or Texas Sales and Use Tax Resale certificate is to be given to the vendor at purchase.

## **D. Non Taxable Sales**

The following are not taxable, no matter how many sales occur during the year:

1. Food, soft drinks, and candy
  - a. Sold during the regular school day, including sales from vending machines
  - b. Sold by a person under 18 years of age as part of a fundraiser sponsored by the school or club (Includes concession stands run by students which have been approved as a fund raising project)
2. Fees and admission tickets, including athletic, play, and dance tickets—provided that no part of the proceeds benefit an individual
3. Newspapers sold by subscription or single copy
4. Club Memberships
5. Passbooks/Discount Cards (considered intangible items by the State Comptroller)
6. School sponsored trips:
  - a. Meals purchased by the school for athletic teams, bands, etc., on authorized school trips are exempt from the sales tax if the school contracts for the meals. The SCHOOL must pay for the meals and provide the eating establishment with a Texas Sales Tax Exemption Certificate. Teachers, coaches, sponsors, and others must pay sales taxes on individual purchases even though the school reimburses them for expenses.

- b. School Districts are exempt from the state's 6% hotel occupancy tax as an "education organization". The Texas Hotel Occupancy Tax Exemption Certificate must be presented when checking into your accommodations. The District will not reimburse staff for state hotel taxes paid. The District, however, will continue to pay or reimburse local hotel taxes. Complete itemized hotel receipts showing room and tax charges per night are required for reimbursement.

**E. Taxable Sales**

1. Items sold to students/individuals for their own use even if connected with the school. This includes items purchased or produced by the school and later sold to students/individuals that become their own personal property. For example: spirit items/athletic programs sold during an athletic event, clothing (including athletic, band and cheerleader uniforms, t-shirts and shoes kept by the student), pencils, pens, paper, kindergarten mats, kindergarten folders, music recorders, student store items and other supplies sold throughout the year.
2. Fees for materials when the end product becomes a possession of the student or staff member
3. Student publications such as yearbooks and football programs
4. School pictures/yearbooks
5. Staff shirts purchased by the staff
6. Any materials used in the classroom if the end product becomes a possession of the student, such as dress material or art supplies.
7. Stationary, note pads, etc. produced in a classroom or vocational class
8. Books sold to students at book fairs (These sales taxes are paid directly to the vendor at time of payment. Vendor submits sales tax)
9. Purchases from student or faculty clubs for hospitality, condolence, etc.

**F. Fund-Raising Sales**

1. An exempt organization is not required to collect sales taxes on taxable items sold during **qualified one-day fundraisers**. (A sale, such as yearbooks, can qualify as a one-day sale as long as all of the items sold are DELIVERED to the purchasers on one day. If any items are left over or if a new delivery arrives on a separate date, the items may still be sold, but sales taxes would have to be charged on those items.)
2. For a sale to qualify as a **one-day tax-exempt** sale, the merchandise for sale must be transferred by the qualified exempt organization to the purchasers in a 24-hour period. As an example, in order for t-shirts to qualify as a one-day tax exempt sale, all the t-shirts must be delivered by the student club to the purchasers in a 24-hour period. Payment, however, does not have to be collected in this 24-hour period. The payment may be collected before the 24-hour period but not after to be considered tax free. If t-shirts are left over, they may still be sold, but the sales tax would then have to be charged on these items.
3. A club does not have to realize a profit for a sale to qualify as a one-day tax exempt sale. The one-day tax-free sale applies to all sales regardless of whether or not the exempt entity realizes a profit or gain from the sale. As an example, if a sponsor plans ahead, uniforms can be delivered to the students (purchasers) in a 24-hour period and qualify as a one-day tax-exempt sale.
4. Each student/faculty activity club, each school, and the District itself are considered separate exempt organizations, and each may hold **two tax-exempt sales per calendar year** (not school year) – provided that the ONE-DAY rule is met.
5. **To qualify as a tax-free sales day, permission for the fundraiser must be acquired by completing and submitting form AF-108. The intent for a tax free day and the date of delivery must be documented on form AF-108 when submitted for principal approval.** A tax –free sales day cannot be designated at any other time. Other fundraisers (taxable) may be held outside of the club's two sales tax free days.

6. There is a \$5,000.00 limit on the sales price of any one item to be eligible for tax-free treatment if sold during a one-day sale.
7. If a sale item was manufactured by the District or if a sale item is donated to the District and in turn sold, there is no limit on the sale price for the sale to be eligible for the tax-free treatment if the item is sold during a one-day event.

**G. Collection and Remittance**

1. The principal is responsible for ensuring that sales taxes are being collected by the clubs and fundraisers. Amounts owed as a result of an audit will be paid from activity funds.
2. Sales tax is to be collected and submitted for all taxable sales unless there is an approved AF-108 on file designating a tax free day.
3. All contracts with outside vendors for the sale or rental of items must specify which party is responsible for the collection and remittance of sales tax.
4. If the school assumes responsibility for the activity and/or sales, the school is responsible for insuring that sales tax is paid. The school will purchase items tax free and must collect the tax when the items are sold.
5. Vendors (Scholastic) that collect sales tax are responsible for submitting the sales tax. Not the campus.
6. The current sales tax rate for Killeen, Harker Heights and Nolanville is 8.25%. Ft Hood has a different rate of 6.75%.
7. The campus has the option of:
  - a) Adding the tax to the selling price of the item
  - b) Absorbing the tax in the selling price of the item. (preferred)
8. All taxable sales, including tax free sales, collected by the campus shall be remitted by the 5<sup>th</sup> business day of each month to the Treasury department on Form AF-105 (QuickBooks users) or OP-105 (ASB users), Monthly Collections for Monies Due to KISD. (see Accounting department web page)
9. If there are no taxable sales (including no tax free Sales) income for the month, an email to the DL-Treasury account stating that your campus has no taxes collected for the month will replace sending the AF-105 (QuickBooks users) or OP-105 (ASB users). (ASB users still may send an OP-105 if other funds are owed to Operating.)
10. Form AF-105 and OP-105 should include the following:

<b>AF-105</b>	<b>OP-105</b>
a) Club Name	a) Campus Name
b) Sales description (t-shirts, yearbooks, etc.)	b) Month End Date
c) Receipt number	c) Athletic Fines
d) Receipt Date	d) Calculator Fines
e) Gross Sales (Taxable & Nontaxable)	e) Football ticket sales
f) Taxable Sales	f) ID Card replacements
g) Sales Tax	g) Other Funds owed to operating
	h) Sales Tax

11. Gross Sales = the total amount of money the campus received from all sales. (Gross sales = Taxable sales – sales tax)
12. Taxable Sales = the amount of money the campus received from taxable sales only. This amount is included in the gross sales amount. Taxable sales are the amount used to calculate the sales tax owed to the state.
13. The Sales Tax forms for each city (located on the Accounting department web page) will calculate sales tax due, including the discount, to remit to Treasury. The forms also allocate the discounted sales tax to each of the clubs. (only Elementary Campuses)

14. The Treasury department will transmit all sales tax collections from AF-105 (QuickBooks users) or OP-105 (ASB users) to the State.
15. The AF-105 or OP-105 submitted to Treasury or email to DL - Treasury account is required to be kept with the bank reconciliation documentation submitted to Accounting each month.

# Instructions for Calculating and Submitting Sales Tax

## 1. Go to the Killeen ISD website and click on Departments

https://www.killeenisd.org

Killeen ISD

TRANSLATE

SEARCH

SITE MAP

HOME ABOUT KISD SCHOOLS NEW TO KISD PARENTS AND STUDENTS DEPARTMENTS SCHOOL BOARD EMPLOYMENT

ERIP EDUCATIONAL RESULTS PARTNERSHIP

HONOR ROLL SCHOOLS 2018-2019

Clarke Elementary & Early College High School named Honor Roll Schools among 855 schools and six districts throughout Texas.

Read More

VIEW MORE EVENTS

- 1 JUL To 5 JUL District Offices
- 9 JUL Board Meeting
- 23 JUL Board Worksh
- 31 JUL To 1 AUG Campus Enrol

## 2. Choose Business Services

https://www.killeenisd.org/departments

Killeen ISD

TRANSLATE

SEARCH

SITE MAP

HOME ABOUT KISD SCHOOLS NEW TO KISD PARENTS AND STUDENTS DEPARTMENTS SCHOOL BOARD EMPLOYMENT

**B**

Name: <a href="#">Bilingual / ESL / Migrant</a>	Name: <a href="#">Business Services</a>
Address: 902 N 10th St Killeen, TX. 76541-4829	Address: 200 N WS Young Dr Killeen, TX. 76543-4025
Phone: (254) 336-0227	Phone: (254) 336-0157
FAX: (254) 336-0212	FAX: (254) 336-0021

**C**

Name: <a href="#">Communications Services</a>	Name: <a href="#">Community Relations</a>
Address: 200 N WS Young Dr Killeen, TX. 76543-4025	Address: 902 N 10th St, Killeen, TX 76543-5289
Phone: (254) 336-0065	Phone: (254) 336-1707
FAX: (254) 336-0055	FAX: (254) 336-2790

**D**

### 3. Choose Accounting Department

The following departments are a part of Business Services:

- Accounting handles activity funds, parent booster clubs, and the annual financial audit.
- Accounts Payable pays all non-payroll expenses for the district.
- Budgetary Services plans the district budget and manages district grant finances.
- Distribution Center (Warehouse) receives all items purchased on purchase orders for the district.
- Financial Reporting prepares district financial statements and helps with audit.
- Financial Services handles the district's investments and bank accounts.
- Payroll handles all payroll related expenses, questions, actions.
- Print Shop prints items for the district.
- Property Management handles transcript requests as well as the fixed assets and textbooks.
- Purchasing processes all purchase orders and handles all bids and vendors.
- Treasury handles sales of football tickets, deposits of cash, and distribution of vendor checks.

In addition to assisting the above, Business Services works directly with Impact Aid, Schools FIRST, the Bell County Appraisal District, cost saving measures for KISD, the KISD Strategic Building Plan, KISD Comparables, and other financial analyses requested.

Who-To-Call Guide    Financial Transparency

Accounting Department  
Accounts Payable Department  
Budgetary Services Department  
Financial Reporting Department  
Financial Services Department  
Payroll Department  
Print Shop Department  
Property Management Department  
Purchasing Department  
Treasury Department  
Warehouse Department  
IRMA Exception

## QuickBooks users (Elementary campuses)

### 1. Choose Sales Tax and then your city.

training on activity fund policies, procedures and QuickBooks software.

Activity Funds Form  
ASB Works  
Clarification for Club Sponsors on Taxable Sales  
Outside Organizations Info (Boosters, PTA, PTO)  
QuickBooks Manual  
Resource List  
Sales Tax  
Form - Sales Tax - Ft. Hood  
Form - Sales Tax - Harker Heights  
Form - Sales Tax - Killen  
Form - Sales Tax - Nolanville  
Sales Tax Flip Chart  
School Fundraisers and Texas Sales Tax





Final Copy of Sales Tax Killteen - AF105 - Excel

FILE HOME INSERT PAGE LAYOUT FORMULAS DATA REVIEW VIEW AbleBits.com QuickBooks

Spelling Research Thesaurus Translate Proofing Language

Delete Review Show All Comments Show Link

Unprotect Sheet Protect Workbook Share Workbook Track Changes

E6 =IF(ISBLANK('Killteen -Absorbing Tax'!B5))=FALSE,'Killteen -Absorbing Tax'!B5,IF(ISBLANK('Killteen -Adding Tax'!B5))=FALSE,'Killteen -Adding Tax'!B5,"ERROR")

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Killeen Independent School District  
Killeen HS Campus Name  
AF-105 Collections of Monies Due to KISD  
For the Month Ending May 2015

Remit To:  
ATTN: Cash Receipts Clerk  
Killeen Independent School Dis  
Treasury Services

Note:  
This form should be completed and  
submitted to Treasury Services, with  
a check, when funds are collected

Description	Amount
1. Gross (Total) Sales (from Sales Tax Receipt Form)	\$ 1,465.00
2. Taxable Sales (from Sales Tax Receipt Form)	\$ 706.71
3. Taxable Purchases (taxes if not paid with purchase)	
4. Total Taxable Sales and Purchases (add lines 2&3)	\$ 706.71
5. Sales Tax Due (line 4 x sales tax rate or Sales Tax Receipt Form)	\$ 58.30
6. Discount - #applicable (line 5 x .025) or Sales Tax Receipt Form)	\$ 0.29
7. Sales Tax Paid (subtract line 6 from 5 or Sales Tax Receipt Form)	\$ 58.01

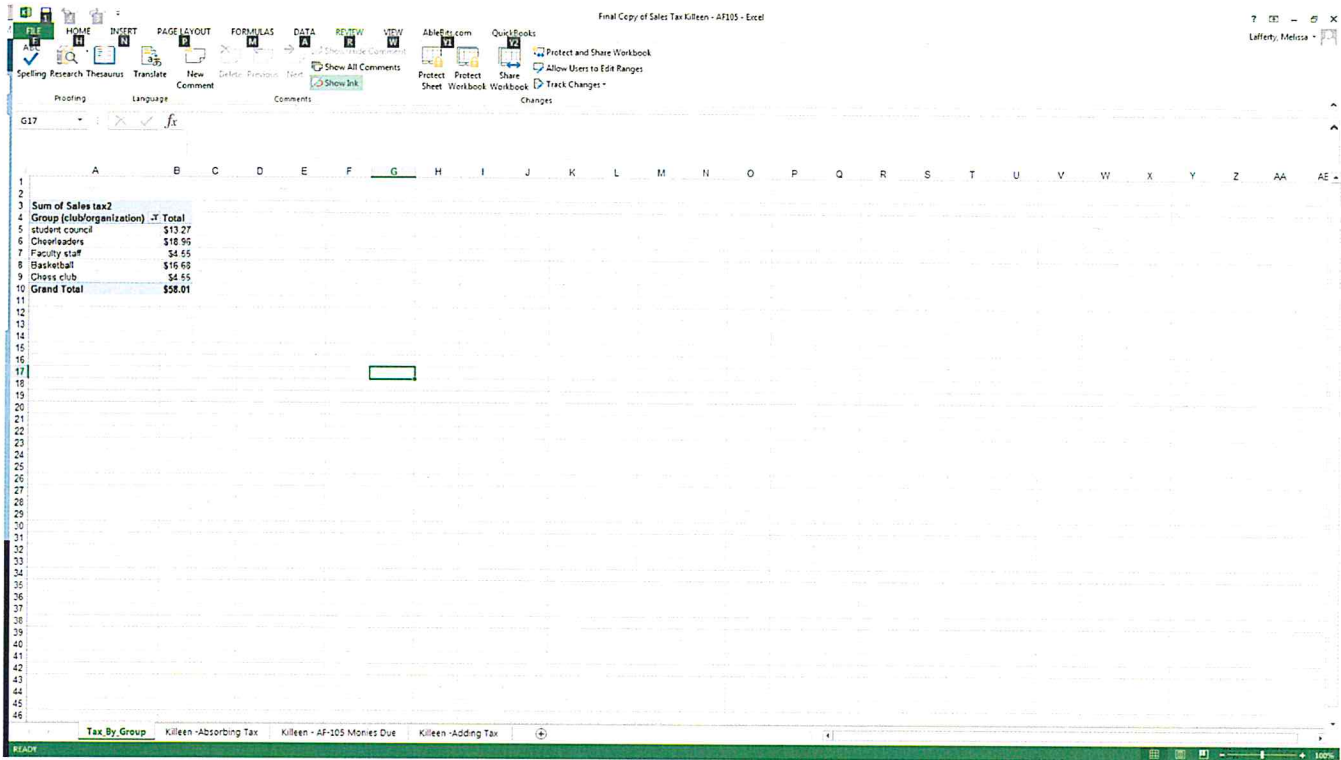
Paid on school check number \_\_\_\_\_ Check Dated: \_\_\_\_\_

Tax\_By\_Group Killteen -Absorbing Tax Killteen - AF 105 Monies Due Killteen -Adding Tax

READY AVERAGE: 499.1701987 COUNT: 17 SUM: 790.076655 100%



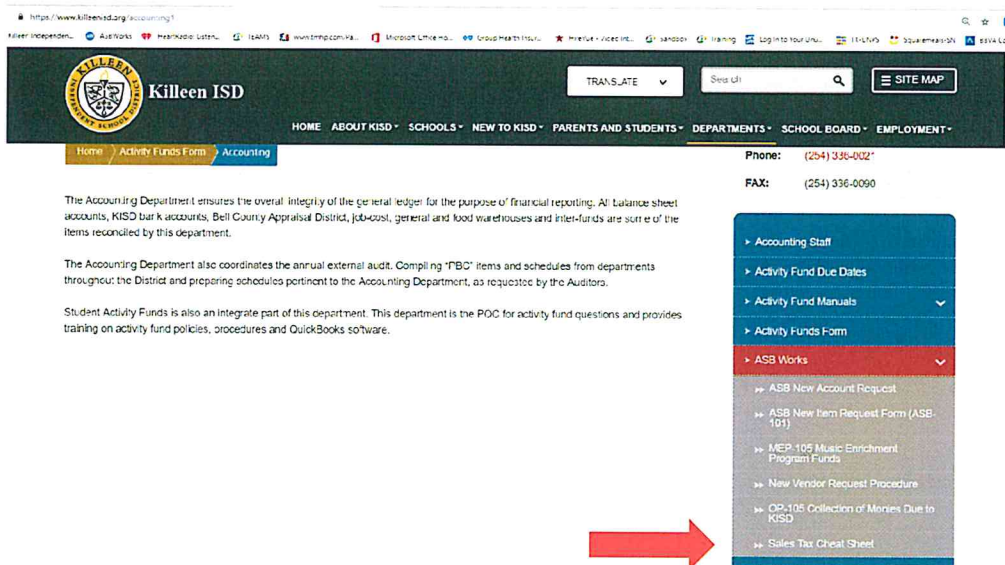
- The information from the "Absorbing Tax" tab will automatically feed over to the "AF-105 Monies Due" tab. Click on the next tab to the right. As seen above, the "AF-105 Monies Due to KISD" form has been completed and is ready to be printed out and signed by the principal. This form and a check for the amount in line 7 "Sales Tax Paid" is submitted to Treasury. (Note – disregard the rounding differences in the calculation. Pay the amount displayed on line 7.)
- Go to the "Tax By Group" tab to the far left. This table will allocate the sales tax across each club's sales and should be entered into each club's revenue classification when writing the sales tax check out of Quickbooks. These amounts would also be used if a journal entry is used to record sales tax instead of a check. Do not try to manipulate this sheet. It is a pivot table that is unprotected and will not function properly if any changes are made to it.



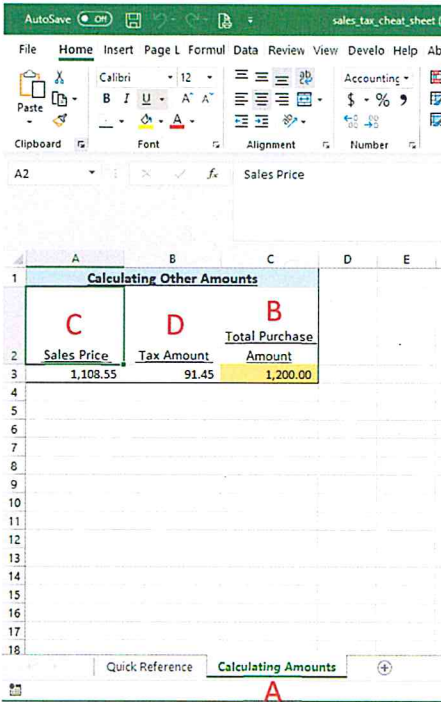
- Note – we have also added a tab for adding sales tax that you may use if desired. It will feed over into the AF-105 tab but, it will not display the allocation of tax on the “Tax by Group” tab. The “Absorbing Tax” tab is the preferred and most beneficial calculation.

## ASB users (Middle and High school campuses)

- ASB cash receipting software calculates sales tax and places it in a separate account labeled sales tax. To ensure the software calculates correctly items must be set up with the correct sales price.
- Choose ASB Works then Sales Tax Cheat Sheet



- Choose "Calculating Amounts" tab (A) and enter the total purchase amount (B) for the item. The spreadsheet calculates the sales price (C) and tax (D) amounts. Enter the sales price when setting up an item for sale in ASB.



- An OP-105 will be used to remit sales tax and various other fees/fines due to the District. A report (Balance sheet) from ASB will give the balances due for the month.

Killeen Independent School District  
 Campus Name \_\_\_\_\_  
 Collections of Monies Due to KISD  
 For the Month Ended \_\_\_\_\_

Remit To:  
 ATTN: Cash Receipts Clerk  
 Treasury Services

This form should be completed and submitted to the Treasury Department with a check and required reports (listed below), each month during the month end reconciliation process.

Athletic Fines			
CC Convenience Fees			
Calculator Fines			
Football Ticket Sales			
ID Card Replacements			
Other Funds Owed to Operating (attach account statement)			
Gross Sales Tax Due			
Subtotal			\$ -
Total Taxable Purchases			Tax
Accounts:		Tax amt:	
Total Amount Due			\$ -
Paid on check number:		Date:	
Principal's Signature:		Date:	

**Reports to include in Treasury Packet:**  
 Daily Posting Report Page 1 Only  
 Balance Sheet Report (1 copy)  
 Taxable Purchases: include copy of receipt that tax should have been paid  
 \*Should show ending balances for the month prior to check issue

**Note: Please include one of the check stubs that print with the check**