

OFFICE OF THE CONTROLLER

Tax Team **Sales and Use Tax**

February 2024



Purpose

Tax concepts are often challenging, and not always intuitive. While departments are not expected to be tax experts, there is an expectation that departments use available resources to become familiar with basic concepts and comply with any applicable requirements.

The purpose of this session is to provide guidance on the basics of sales and use tax, illustrate applicable scenarios and examples, and provide references to various resources.





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Definitions and Basics



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Sales Tax vs. Use Tax

Sales Tax	Use Tax
Imposed on the <u>seller</u> of goods and certain services	Imposed on the <u>purchaser</u> of certain goods and services
<u>Seller</u> is responsible for charging sales tax and remitting it to the state*	<u>Purchaser</u> is responsible for accruing use tax and remitting it to the state
Associated with <u>in-state</u> purchases (that meet the criteria for nexus)	Associated with <u>out-of-state</u> purchases (that do not meet the criteria for nexus)

*If a department sells goods, the University is responsible for fulfilling this responsibility.

The **Use Tax Matrix** can be used in determining when use tax is applicable.

What is Nexus?

A term used to describe the connection between a business and state/local government that triggers the requirement to collect and remit sales tax.

Types of Nexus

Physical

A physical presence exists in a state (e.g., store, warehouse, office).

Economic

The sales in a state exceed respective monetary and transactional thresholds (e.g., \$100,000 or 100 transactions).

Affiliate

An out-of-state business has an affiliate or subsidiary located within the state.

[Additional Nexus Guidance](#)



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Sale and Use Tax Rates

- 6% of **gross** sales (statewide rate) plus any applicable local option taxes (imposed by the county)

- Example – Aiken

Statewide Sales Tax – 6%

Capital Project Tax – 1%

Education Capital Improvement Tax – 1%



Sales Tax Returns

The Controller's Office Tax Team is responsible for submitting a University sales tax return and remitting the associated tax payment to the SC Department of Revenue (DOR) on a monthly basis. Filings must be submitted by the 20th day of the month following the tax period (e.g., January tax returns would be due by February 20th).

To aid in the completion of the return, departments are responsible for submitting an individual return to the Controller's Office Tax Team using the [Sales Tax Return Template](#). This information **must** be submitted in a timely manner – by the 10th of every month. Any penalties incurred due to late submissions will be the responsibility of the department.

If a department identifies an error in a previously submitted tax return, the Controller's Office Tax Team should be notified immediately.



Recording Sales and Use Tax

Departments are responsible for recording sales and use tax in PeopleSoft Finance. By the time the tax return is submitted to the Controller's Office Tax Team, the accompanying tax liability should be recorded in the system under the proper 22- account (e.g., 22001 [Sales Tax Payable]).

When sales and use tax payments are remitted to the state, the accompanying tax liability account is cleared in the system for the amount of the payment. When departments fail to record the tax liability in the system, reconciliation issues result.



Departmental Sales

Departments are responsible for monitoring its activities and recognizing when sales tax is applicable. Keep the following in mind:



If tangible products and certain services are sold to outside parties, the resulting gross sales will generally be subject to sales tax.



Tangible personal property rented out in conjunction with space (e.g., chairs, tables, audio/visual equipment, etc.) is subject to sales/use tax.



If departments engage in sales type activities with other University departments, sales tax is not applicable.



If selling products through the MarketPlace, reach out to the Controller's Office Tax Team to discuss any sales tax implications.



Contact the Controller's Office Tax Team **in advance** of any new activities where sales tax may apply.

Retail License

SC DOR requires any person engaged in retail sales in South Carolina, including online sales, to obtain a retail license. Within the University, a separate retail license is required for each location.

A retail license is obtained through the completion of a Business Tax Application ([Form SCDOR-111](#)) and remittance of a \$50 fee. If a department thinks a retail license may be necessary based on its activities, the Controller's Office Tax Team should be promptly contacted. All applications must be completed and submitted by the Tax Team, not by departments.



Exemptions and Exclusions



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Exemption Status

In general, the University **is not** exempt from sales and use tax. This is a common misconception.

In accordance with Internal Revenue Code Section 115 and Internal Revenue Service determination, the University is exempt from federal income tax, but this does not extend to state sales tax.



Exemptions/Exclusions



Equipment used in research and development (R&D)



Textbooks, books, magazines, periodicals, newspapers, and online information access used in a course of study, school, or public library



Products purchased for resale



Most services



Other miscellaneous fees (e.g., cancellation fees, gift certificates, membership dues, registration fees)

R&D Equipment

To request a sales/use tax exemption for purchased R&D equipment, the [R&D Equipment Sales/Use Tax Exemption Form](#) must be completed and submitted to the Controller's Office Tax Team for evaluation at rdequip@mailbox.sc.edu.



Scenarios



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Scenario 1:

A department is planning to rent a forklift from a non-SC vendor for an upcoming event. They are unsure of the tax implications associated with having a University employee operate the equipment vs. a third-party operator from the vendor. The department refers to the Use Tax Matrix for guidance prior to reaching out to the Controller's Office.



Rationale: While the Controller's Office is always happy to assist with tax-related questions through tax@mailbox.sc.edu, resources have been created and made available on our website to provide initial guidance and assist in decision making. These resources were designed to capture frequently asked questions and commonly encountered scenarios.



Scenario 2:

A department in Aiken sells merchandise to an outside party for a total of \$1,000. Total state and local sales tax equates to 8%. As a result, the following is recorded:

Sales (4- Account): \$926*

Sales Tax Payable (22- Account): \$74

Grand Total: \$1,000



*\$1,000/1.08 = \$926 (rounded)

Rationale:

Sales tax was incorrectly calculated on a net sales amount rather than **gross** sales (net of any deductions). The following should have been recorded:

Sales (4- Account): \$1,000

Sales Tax Payable (22- Account): \$80*

Grand Total: \$1,080

*\$1,000 x 0.08 = \$80



Scenario 3:

A department that sells merchandise through the University's MarketPlace submits its sales tax return data to the Controller's Office Tax Team quarterly. The format of the submission varies depending on the preparer, which differs based on staff availability.



Rationale: The SC Department of Revenue requires sales tax filings to be submitted monthly. To enable adequate time to prepare the University's Sales and Use Tax Returns, the Controller's Office requires departments to submit returns to us by the 10th of every month using the standard [Sales Tax Return Template](#).



Scenario 4:

During the month of February, total sales tax of \$1,200 was incurred from various sales. Prior to sending the respective tax return to the Controller's Office Tax Team on March 10th, the department confirms \$1,200 is recorded in Account 22001 (Sales Tax payable).



Rationale: The department properly recorded and reconciled the tax liability in a timely manner prior to submitting the respective monthly return to the Controller's Office. When the Tax Team remits the \$1,200 payment to the state, it will properly clear the tax liability account to \$0. If, for example, the department failed to complete a reconciliation and improperly recorded a total of \$800, the tax liability account would reflect \$(400) after payment.



Training Resources and Contacts



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Office of the Controller Website

Our website was recently redesigned to provide a more user-friendly experience. Tax information can be found under the **Compliance and Tax Management** and **Resources and Training Toolbox** sections:

Compliance and Tax Management
Compliance Management
Supplier Management
Tax Management
Compliance and Tax Management Staff Directory

Resource and Training Toolbox
Business Manager
Grant Administration
Principal Investigator
Policies & Procedures
Forms
Newsletters
PeopleSoft Finance Training Schedule
Listservs
Social Media



Quick Links to Resources/References

- [Use Tax Matrix](#)
- [R&D Equipment Sales / Use Tax Exemption Form](#)
- [Sales Tax Return Template](#)
- [SC Local Tax Designation by County](#)
- [SC DOR Sales Tax Page](#)
- [SC DOR Use Tax Page](#)
- [Form SCDOR-111](#)



Questions / Issues

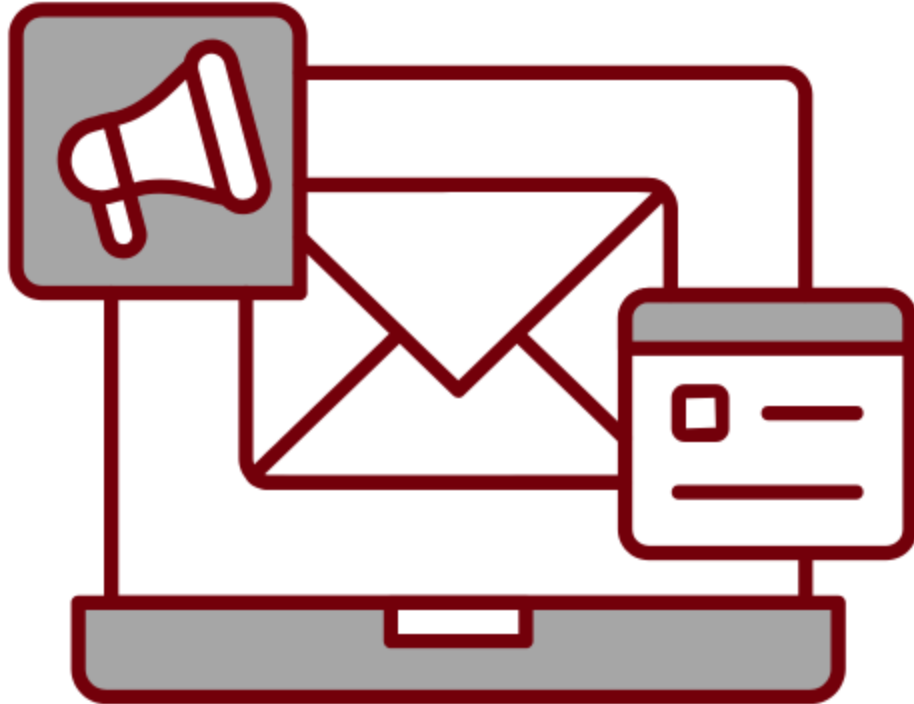
If you have questions or experience any issues, please contact the Tax Team at tax@mailbox.sc.edu.

Lindsey Cox – Director of Compliance and Tax

Douglas Bailey – Assistant Director of Tax



Contact Us



For specific questions, please visit our [website](#) to find the appropriate contact.



Questions



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THANK YOU!

Office of the Controller



Alone, we can do so little; together,
we can do so much.



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