

Clarification of Taxable Sales to Club Sponsors

It has been brought to our attention that club sponsors collect dues for club membership. From those dues, members get a t-shirt or other tangible items.

We understand that club sponsors have been doing it this way for some time. However, this practice is unacceptable in our attempt to comply with the State Comptroller's sales tax requirements.

Dues and membership fees are nontaxable items. Tangible items such as t-shirts, uniforms, shoes, are taxable items when ownership of that item passes to a student or staff member. There should be no commingling of the two.

The exchange of goods when charging dues is considered to be a taxable sales transaction. The financial clerks and cash receipt clerks have been instructed to absorb tax on those transactions.

Therefore, Dues and membership fees must not go towards the purchase of items (t-shirts, uniforms, etc.)

Scenarios:

Acceptable:

1. A student/faculty club can hold a fundraiser during the year and purchase t-shirts to give to members (pay tax to vendor) from their student activity fund account.
2. A student/faculty club purchases t-shirts, uniforms, and supplies and pays tax to the vendor from their club balance and gives these items to members. No cash can be received from members.
3. A student/faculty club purchases t-shirts, uniforms, and supplies and does not pay tax to the vendor. This is paid from the club's balance. The items are sold to students or members and taxed.
4. A student/faculty club may collect dues for membership. The club may use a pre-approved tax free sales day to give t-shirts to members. All member t-shirts must be delivered within a 24 hour period. Dues collected after the 24 hour period of the tax free day, must be separate from the sale of the t-shirt. Sales tax is to be collected on any t-shirts ordered or delivered after the designated 24 hour period of the tax free day. This is the only exception.

Unacceptable:

1. A student/faculty club charges a flat rate for each member of the club. The flat rate pays for t-shirts, uniforms, cleaning fees, meals and supplies. The t-shirts, uniforms and supplies must be charged separately and taxed to the student. The cleaning fees and meals are not taxed. *(A tax free day would be difficult to use in this type of situation, unless all taxable items are delivered the same day)*