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# Sales Tax Guide for Departments

*A Guide to the Application of  
Kansas Sales Tax  
Laws & Regulations to  
Departmental Activities*

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Finance Office  
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# Sales Tax Guide for Departments

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This guide (the “Guide”) is intended to assist Washburn University and Washburn Tech department heads, and other faculty and staff, in understanding how Kansas sales tax applies to various aspects of departmental operations, both academic and administrative. Although every effort has been made to identify and address the most common issues, situations not addressed in the Guide may arise. In such cases, the department head should contact the Director of Accounting or the Controller for guidance. References to the “University” also encompass Washburn Tech.

General sales tax guidance is provided by the Kansas Department of Revenue (KDOR) in Publication KS-1510, *Sales Tax and Compensating Use Tax*, and Publication KS-1560, *Tax Guide for Schools and Educational Institutions*. Both publications are available from KDOR’s web site at [www.ksrevenue.org](http://www.ksrevenue.org).

Departments are encouraged to bring issues and questions to the Director of Accounting or the Controller before entering into the transaction(s) in question. This provides the University with the best opportunity to comply with sales tax law, while reducing the time and expense of compliance to the lowest level possible. Once a transaction has taken place, either the University owes sales tax to the state or it doesn’t. There is no opportunity to reduce or eliminate the time and expense of complying with the law.

Throughout the Guide, various icons will alert the reader to certain types of information. Any text accompanied by an icon contains important information or examples the reader should pay close attention to.

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## GENERAL INFORMATION

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When dealing with sales taxes, it is important to remember that there are different considerations when a department is the seller in the transaction than when the department is the purchaser. The Guide looks at both perspectives.

**The department as purchaser.** Kansas law exempts the University from paying sales tax on direct purchases. Specifically, the law exempts “all sales of tangible personal property or services, including the renting and leasing of tangible personal property, purchased directly by...[a] public educational institution and used primarily ...for nonsectarian programs and activities provided or sponsored by such...institution.”

The key concept here is the “direct purchase” requirement. To qualify as a direct purchase, the invoice or bill must name the University as the purchaser, and payment must be made with University funds. If either of these conditions is not met, the purchase is taxable.



**CAUTION!** “Direct purchases” do not include reimbursements. If an employee makes a purchase with personal funds, even when on official University business, sales tax must be paid on the purchase. Purchases made with a University purchasing card are considered to be direct purchases.



**EXAMPLE:** A professor purchases classroom supplies using her personal credit card. She later submits her receipt from the supply store and is reimbursed by the University. In this situation the professor must pay applicable sales tax at the time of purchase, because the transaction is not a direct purchase.

The example above points out the importance of using purchase orders, P-cards, or direct billings whenever possible. For purchases made in Topeka, the University effectively gets a discount of almost 9% compared to the cost of reimbursing an employee for both the cost of the goods or services purchased and the sales tax on the purchase. For this reason, the University reserves the right to reimburse the employee only the cost of the goods or services purchased, and the employee will owe the applicable sales tax.

**The department as seller.** All sellers are required to collect sales tax from the purchaser on retail sales of tangible personal property; labor charges to install, repair, service, etc., tangible personal property; and sales of admissions to places providing amusement, entertainment or recreation. Each of these three categories will be discussed in more detail later in the Guide.

There are three categories of sales tax exemptions which sellers must honor, and not collect sales tax. The categories are (1) buyers who are exempt; (2) specific items that are exempt; and (3) uses of an item that makes it exempt. Each of these is also discussed in more detail later.



As a general rule, exempt buyers have to provide a sales tax exemption certificate. If a buyer claims to be exempt from paying sales tax, request a copy of the exemption certificate. If the buyer cannot or will not provide a completed exemption certificate, you *must* collect sales tax on the sale.

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## THE DEPARTMENT AS PURCHASER

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As noted on the previous page, in general, the University does not have to pay sales tax on direct purchases. However, this is not an unlimited exemption for all purchases. In order for a University purchase to be exempt from sales tax, three conditions must be met:

1. The purchase must be a direct purchase by the University.
2. The goods or services purchased must be used primarily for nonsectarian purposes.
3. The goods or services must be used in activities provided or sponsored by the University.

**Direct purchase.** In order for a purchase to be considered a “direct purchase” under Kansas sales tax law, any invoice must be made out to Washburn University, and payment must be made with University funds. If either of these conditions is not met, sales tax must be paid on the purchase. In addition, purchases made with a University credit card are considered to be direct purchases.



Payments made out of fund 800000 are generally not considered to be “University funds.” Contact the Finance Office for guidance on specific agency accounts in this fund.

Most University direct purchases will be exempt. Note, however, that if a purchase is not for general school programs or activities, sales tax must be paid. One example of a taxable direct purchase is an appliance or other equipment for use in the school by an employee. Thus, items such as refrigerators used in offices or break rooms are subject to sales tax.

There are two types of purchases a University department may be involved with which are conspicuous by their absence from the definition above. The first of these, and the most important, is reimbursement to a University employee for a purchase. Even if the purchase meets the second and third criteria above, sales tax must still be paid on the purchase. This is because purchases by employees are not made with University funds.

The second type of purchase not considered a direct purchase is purchases by groups and organizations that are affiliated with, but not part of, the University. These groups include student organizations, professional groups, associations of professors, etc. Unless an affiliated organization is primarily organized to engage in research and development for the University's financial benefit, the organization cannot use the University's sales tax exemption for itself.



Certain organizations may be able to qualify for a sales tax exemption in their own right. Exemption from federal income taxes under Section 501(c) does not automatically mean exemption from sales tax. Groups specifically not exempt from paying sales tax include alumni associations, and clubs and professional associations.

**Nonsectarian use.** This criterion is generally not applicable to Washburn.

**Activity provided or sponsored by the University.** The majority of purchases by the University meet this criterion. In addition, many purchases by affiliated groups and organizations meet this requirement. However, the affiliated groups and organizations do not meet the first requirement (direct purchase by the University), so they are not exempt from paying sales taxes.



There is a bit of a quirk in Kansas sales tax law that in many cases effectively allows affiliated groups to avoid paying sales tax on purchases. If an affiliated group or organization reimburses the University for a purchase, the reimbursement is not subject to Kansas sales tax. This is also true for “pre-imbursements” where the group pays the University first, then the University makes the purchase.

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## THE DEPARTMENT AS SELLER

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All sellers are required to collect sales tax from the purchaser on retail sales of tangible personal property; labor charges to install, repair, service, etc., tangible personal property; and sales of admissions to places providing amusement, entertainment or recreation. Common examples of taxable sales are presented at the end of this section of the Guide.

Some buyers may be able to claim exemptions when purchasing goods or services from a University department. There are three broad categories of sales tax exemptions which sellers *must* honor, and the University *may not* collect sales tax. The categories are (1) buyers who are

exempt; (2) specific items that are exempt; and (3) uses of an item that makes it exempt. Each of these is also discussed in more detail below.

**Exempt buyers.** There are several types of organizations that are exempt from paying sales tax on purchases. Publication KS-1510 specifies these organizations on pages 7 and 8. If an organization is not specifically noted as exempt from paying sales tax, you must collect sales tax on sales.

Exemption from federal income taxes under Section 501(c) does not automatically mean exemption from sales tax. Groups specifically not exempt from paying sales tax include alumni associations, and clubs and professional associations. Certain of the 501(c)(3) organizations that do have an exemption must still pay sales tax on taxable services and admissions.



If a buyer claims to be exempt from paying sales tax, request a copy of the exemption certificate. If the buyer cannot or will not provide a completed exemption certificate, you *must* collect sales tax on the sale.

**Exempt items.** None of the items currently exempted from sales tax appear to apply to University departmental sales activities. Contact the Finance Office if you have questions about whether an item you intend to sell is exempt.

**Exempt uses.** As with exempt items, exempt uses as specified in Kansas sales tax law do not appear to apply to University departmental sales activities. Contact the Finance Office if you have questions about whether an item you intend to sell is exempt because of the way it is used by the purchaser.

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## DEPARTMENTAL SALES ACTIVITIES

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The following discussion is taken from pages 12 through 24 of Publication KS-1560. It addresses the sales tax issues of many typical departmental sales activities. The final table below is a condensation of the KDOR’s “representative but not all-inclusive list” of sales by schools and educational institutions that are generally taxable.

### *General Rule*

When the University or one of its departments sells tangible personal property at retail; furnishes any taxable services; or provides entertainment to the ultimate user/consumer, it must collect and remit applicable sales taxes. Sales tax collected must either be (1) separately stated on the invoice or sales receipt; or (2) included in the price of the item being sold.

If separately stated, sales tax must be clearly identified and itemized, and must be shown on a separate line on the invoice or sales receipt. If sales tax is included in the item price, you must clearly state to the public that the sales price includes “all applicable sales taxes.”



The sales tax rate charged to the purchaser is determined by where the customer takes delivery of the product or service. For most University departments conducting “cash and carry” sales on campus, this will be the Topeka rate of 9.15%. However, if a product is shipped

to (or a taxable service performed at) an address in Kansas outside of Topeka, the sales tax rate is that in effect at the delivery address. No sales tax is collected on sales where the product is shipped outside Kansas.



Effective January 1, 2023, the Kansas state portion of sales tax on food and food ingredients for human consumption, and certain prepared food, will be reduced, in phases, to 0%. Starting on January 1, 2023, the state sales tax rate will be reduced from 6.5% to 4%. Starting on January 1, 2024, the state rate will be reduced from 4% to 2%. And, starting on January 1, 2025, the state rate will be reduced from 2% to 0%. Please contact the Director of Accounting or Controller if you need help with what rate to charge for food items (this includes bake sale items, candy, etc.). Please see the Sales tax calculator for a tab discussing this reduced rate for food and food ingredients.



**EXAMPLE (of item shipped outside of Topeka):** KTWU sells a “Sunflower Journeys” video to a buyer who lives in Topeka. The applicable sales tax rate is 9.15% (December 2016 sales tax rate). KTWU sells and mails another video to a buyer who lives in Silver Lake; the sales tax rate is 7.65%. Yet another video is mailed to a buyer who lives in Wichita; the sales tax rate is 7.50%.

### ***Activity Fees***

Any activity fee that is separately identified for certain events (e.g., sporting events, cultural events, etc.) is a taxable sale. Because the activity fee charged to University students is a general fee, it is not a taxable sale. However, any fees charged to students, faculty, or staff for specific events are considered taxable sales (admissions).

### ***“Activity Funds”***

If the University purchases goods or services, any reimbursement from an affiliated group or organization is not subject to Kansas sales tax. This is also true for “pre-imburements” where the group pays the University first, then the University makes the purchase. This quirk in Kansas sales tax law means that in many cases, an affiliated group or organization can effectively purchase goods or services without having to pay sales tax.

### ***Admissions and Ticket Sales***

Departments must collect sales tax when they sell admissions or tickets for admission to events such as concerts, dances, dinners, plays and sporting events.

### ***Auctions***

When items of tangible personal property are auctioned, whether in a silent auction or a live auction, sales tax must be collected on the price paid by the high bidder. This is an example of a situation where the sales tax is included in the sales price. How the University acquired the item auctioned (purchased or donated) has no effect on the requirement to collect sales tax.

If an item was purchased for the auction, no sales tax should be paid by the University, due to its sales tax exemption. Unlike most other purchases, if the item is purchased by an individual and reimbursed by the University, the individual should not pay sales tax. This is because the item is being purchased with the intent of reselling. To obtain a resale sales tax exemption certificate, contact the Finance Office before items are purchased.



When the auction is for labor services, where volunteers offer to perform some service for whoever is the high bidder for that particular service, no sales tax is collected.

### ***Fundraisers***

The University and its departments are required to collect sales tax on taxable fundraising activities (such as the retail sale of admissions, goods or services). This is true even if the proceeds of the fundraiser are for the exclusive use of the University for school purposes.



A common misconception is that if a department pays sales tax when it purchases items to be sold in a fundraiser, it does not have to collect sales tax when the item is sold. This is not true. The department must collect sales tax; the sales tax it paid is considered to be part of the cost of the goods sold.

To avoid “double-dipping” sales tax, whenever you are purchasing items for a fundraiser, you should obtain a resale exemption certificate. Contact the Finance Office for assistance.

### ***Isolated or Occasional Sales***

The only situation where a department might not be required to collect sales tax is when the sale qualifies as an “isolated or occasional sale.” Contrary to popular belief, an annual fundraising event that is the only sales activity is not considered isolated or occasional. To qualify as an exempt isolated sale, the seller:

1. Must not hold more than one sale in a 12-month period, AND
2. Must not have acquired the property with the intent of reselling it.

This second requirement is why annual fundraisers are not isolated or occasional. One type of sale that would be considered an isolated or occasional sale is the sale of obsolete furniture and fixtures. However, departments are not allowed to conduct such sales without the approval of Purchasing.

### ***Labor Services***

Any sale that involves the installation, application, repair, service or maintenance of tangible personal property is taxable. This includes services like car washes and vehicle repair. Some fees and services are not taxable, because they don’t involve the installation, etc., of tangible personal property. These include, but are not limited to: fees for seminars and workshops; library fines; locker rentals; testing services; and tuition.

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### ***Leases and Rentals***

Rental of real property, such as an auditorium or sports field, is not subject to sales tax. However, rentals of tangible personal property are taxable. Examples of items on which sales tax must be collected on rentals are musical instruments, sports equipment, videos, etc.

### ***Photocopying, Printing and Duplicating***

These services are subject to sales tax when they are billed to student groups, outside entities and the general public (unless the purchasing entity is exempt from paying sales tax).



The fee charged for the first copy of a student's transcript or other official document is not subject to sales tax. This is considered to be the purchase of information, which is not taxable. Additional copies, however, are considered to be the sale of copying services and are subject to sales tax. There is no allowance for the fact that the student may need official transcripts for multiple purposes.

### ***Raffles***

The sale of raffle tickets is not subject to sales tax

### ***School Clubs and Organizations***

Clubs and organizations that are separate and apart ("affiliated with but not part of") the University must pay sales tax on all purchases of property or services, even if the goods or services are purchased for University use. Taxable clubs and organizations include, but are not limited to:

- Cheerleaders
- Clubs for art, computers, science, sports, etc.
- Ethnic student associations
- Fraternities and sororities (honorary and social)
- Honor societies (academic and specific fields)
- Music groups (band, choir, orchestra)
- Student Government Association
- Student Bar Association

These clubs and organizations must also collect sales tax on their taxable sales activities.

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## **SALES TAX COLLECTION PROCEDURES**

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The Finance Office is trying to keep the sales tax collection process relatively pain-free for University departments. Whenever taxable sales take place, the department should complete a Business Office deposit form for the total amount being deposited. The form should have at least two accounting lines: net sales and sales tax.



**Net sales.** “Net sales” is simply the total sales proceeds less the sales tax collected. Net sales plus sales tax must equal the total being deposited. The net sales will be deposited to the FOAPAL(s) specified by the department; the sales tax will be deposited into a sales tax liability account.

**Sales tax.** As noted elsewhere, sales tax can either be charged on the sales price or included in the sales price. When sales tax is charged on the sales price, the sales tax should equal net sales times the applicable sales tax rate. If any tax rate other than the Topeka/Shawnee County rate was collected, note the exceptions on a schedule attached to the deposit form.

When sales tax is included in the sales price, the net sales should equal the total sales proceeds divided by (1 + sales tax rate). The sales tax is then just the difference between the total sales proceeds and the calculated net sales. If any tax rate other than the Topeka/Shawnee County rate is due, note the exceptions on a schedule attached to the deposit form.

The Finance Office has developed a simple Excel spreadsheet to help departments calculate sales tax due on taxable sales. Contact the Washburn University Finance Office (Ext. 2031) for a copy of the spreadsheet, or find a copy on the Finance Office website on the Forms page under Tax Matters ([www.washburn.edu/finance-office](http://www.washburn.edu/finance-office)).

Each month, the Finance Office will prepare the applicable sales tax returns based on the information submitted with departmental deposits. Departments do not need to do anything with sales tax other than collect and deposit them in accordance with the Guide.

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The Guide is a condensation and summary of Kansas sales tax laws, regulations, and publications. Although every effort has been made to ensure the Guide’s completeness, accuracy, and relevance to University departments, items applicable to your department may have been left out. Likewise, there may be errors or room for interpretation of the items included in the Guide.

Consult with the Director of Finance/Controller about sales tax matters before entering into any unusual or infrequent purchases or sales. This will help give us time to identify and address issues before they arise.

### ***Contacts***

Washburn University Finance Office  
Ext. 2031

[www.washburn.edu/finance-office](http://www.washburn.edu/finance-office)