CPE for CPAs, Understanding University Tax Liabilities

Tax Exempt Status and Sales Tax Liability Activity

Please circle if the statement is True or False:

1. Our Department conducted an Engineering conference on campus for Colorado high school students that included a light breakfast and lunch for our attendees. The event was free to attend. *We do not pay sales tax on our catering bill.*

   True False

2. We conducted a Geophysics conference on campus. We solicited industry sponsors for payments that will cover some of our food expenses of breakfast and lunches for two days. We charged a registration fee to attend this 2-day event. *We do have to pay sales tax on our catering invoice.*

   True False

3. We will be conducting a silent auction at an Alumni function. *Since all of our items are donated, we do not have to charge sales tax to the purchasers of the item.*

   True False

4. We are selling commemorative lithographs for our College's 100th anniversary. *We only have to charge sales tax to CO residents, not to our out-of-state customers.*

   True False

5. We conducted an Alumni Reunion Gala at a Boulder hotel that included appetizers, dinner, and wine service. We also showed a short award-winning documentary of the University. We charged a registration fee of $ 200 per person. Our catering invoice included sales tax on the food & beverage, and also charged us tax on the audio-visual rental equipment. *We should not have been charged sales tax on the audio-visual rental equipment, since we are a not-for-profit organization and the movie was included in the $ 200 per person fee.*

   True False

Answer Key:

1. **True**, food/catering is not subject to sales tax, if the event is free to attend.

2. **True**, if you are charging attendees a registration fee and meal(s) are included, the University is in essence “re-selling” the meal; we cannot pass on our tax exempt status to the registrants. Sales tax applies.

3. **False,** regardless if items are donated, sales tax is charged to the purchaser of the item & remitted to your campus.

4. **False,** the University is now required to apply sales tax to out-of-state purchasers. However, there are a few exceptions with certain states, so please check with your campus sales tax specialist to see if these apply.

5. **False,** audio-visual rental equipment is a taxable item, so the catering invoice is correct.