

Dexter Community Schools  
Sales Tax Information

Sales tax is monitored by the Department of Treasury Austin Building, Lansing, Michigan 48922 (517)636-4230 [www.michigan.gov/treasury](http://www.michigan.gov/treasury). The first section of the General Sales Tax Act 167 of 1933 can be found at MCL 205.51. Exemptions can be found beginning with MCL 205.54a.

There are certain exemptions to Michigan sales tax that typically apply to schools:

- 1) Sales of tangible personal property to a nonprofit school for use by the district and not for resale. MCL 205.54a(1)(a)
- 2) Sales of food to bona fide enrolled students by a nonprofit school. MCL 205.54a(1)(c)
- 3) Sales for resale at retail. Exempt for schools with aggregate sales at retail in the calendar year of less than \$5,000. When the resale occurs, sales tax is due at that time. MCL 205.54o

The seller is required to retain the Michigan Sales and Use Tax Certificate of Exemption for all purchases they exempted from sales tax. For items purchased under #1 or #2 above, we have a basis for exemption as Government Entity as a nonprofit school. For items purchased under #3 above, we have a basis for exemption as Resale at Retail and need to provide our Sales Tax Registration Number 38-6007821.

Examples:

School lunch or other a-la-carte food sales to students – Tax exempt under #2 above.

Textbooks – The sale of textbooks sold by a public or nonpublic school for the use of students enrolled in K-12th grade is Tax exempt under MCL205.54(1)(k)

Food for internal staff meetings – Tax exempt. Even though the food is being consumed by adults, staff, or community, the food is being paid for by a check from a district bank account for a bona fide district purpose so the sale is tax exempt under #1 above.

Catering – Sales to a nonprofit school, nonprofit hospital, church, parent cooperative preschool are tax exempt under the MCL 205.54a(1)(a)

Preschool cooperatives – Tax exempt

Intermediate school district– Tax exempt

Other local public school – Tax exempt

Internal staff meetings paid for by General Fund or an internal activity fund – Tax exempt

Parent or staff fund food, each person pitches in \$5 for a luncheon – Taxable

Booster club sales running a concession stand – Taxable. The items to be sold at the concession stand may be purchased tax exempt under #3 above. However, when the sale occurs at the concession stand, if it is intended for immediate consumption, it must be taxed at the concession stand and the taxes forwarded. If the sales at the concession stand are to students enrolled in school the sale is tax-exempt. If there is a combination of sales to students and to non-students, the recommendation is that unless a documented accounting can be provided, then all sales should be taxed.

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School stores selling to students – Food is tax exempt under #2. Other items such as pencils and t-shirts are taxable. The pencils and t-shirts can be purchased as a Sale for resale at retail #3, but the sale to the students is taxable.

Paying sales tax at the time of purchase to avoid remitting when sold - If the item is purchased and sales tax is paid to the vendor AND if there is no markup in the final sale, the original vendor can in fact remit the sales tax. The correct amount would be remitted, but by the wrong remitter. If the item is sold for a mark-up, then the final retail sale must be taxed. #3

Garage sale – Taxable. If old equipment is sold to the public, except vehicles, tax must be charged and remitted. #3

Vehicle sales – Taxable to the purchaser to be handled when transfer of title occurs at the Secretary of State. Anyone who sells more than 5 vehicles in a calendar year is considered a dealer that requires you to collect and remit the tax and give the purchaser a receipt.

Yearbooks – Taxable to the end user of full retail price. If the yearbook company does the sale to the student directly and charges tax, then the yearbook company remits a portion of the profit back to the school, this is acceptable. If the school takes the orders and charges sales tax to the student on the full retail price of the yearbook, the school must remit the tax.

Magazine, newspaper, or other periodical sales – Tax exempt. Any periodical that is approved by the US Post Office periodical class is exempt under 205.54a(1)(f)

Entertainment books – Tax exempt. The books are not the sale of tangible personal property. They represent the ability to go get tangible personal property at some future time.

Prom or other single transaction – Tax exempt. If the fee is primarily for the purpose of the experience, then it is not the sale of personal tangible property. For example the prom fee is \$100 per couple. Included is dinner, dance, decorations, and the prom experience. It is tax exempt. If Community Education puts on a class that includes instruction, a book, and lunch, it is the educational experience not tangible personal property therefore tax exempt. If Children Services puts on a camp. The child is given a t-shirt when they participate in the camp. The t-shirt when we purchase it from the vendor is tax exempt. It is the camp experience that is being paid for and the t-shirt is an incidental part of it.

Gate receipts – Tax exempt. The fee is to allow entry to the event and not the sale of tangible personal property.

Raffle – Tax exempt. The fee is not the sale of tangible personal property. You do have to have a lottery license, though.

Advertising – Tax exempt. The fee is not the sale of tangible personal property.

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Rental – Tax exempt. The fee is not the sale of tangible personal property. If the rental is for the rental of overnight accommodations, there is a separate tax on accommodations.

Silent Auction – Tax exempt. If items are donated or purchased by the school, the purchase is tax exempt. If the item is then “sold” at the silent auction, the monies are a donation to the school less the value of the item auctioned.

Sale of real property (land or building) – Tax exempt. Sales and use tax is only imposed on the sale of tangible personal property.

Fixation to real property by a staff or students – Tax exempt. Materials for new construction or any improvements to the school buildings are exempt from sales tax if the work fixation to the property is handled by a student or staff of the school. There is no exemption on real property.

Fixation to real property by a contractor – Taxable. Materials for new construction or any improvements to the school buildings are NOT exempt from sales tax if the work fixation to the property is handled by a contractor. There is no exemption on real property. The tax exempt status of the school does not flow through to the outside contractor.