

Tax Compliance for External Revenue-Generating Activities -- Appendix B

A Guide to Sales Tax

Sales of tangible goods to external users are generally subject to sales tax. Sales tax, equivalent to the sales tax rate times the sale price, should be collected from the customer. Rates are based on the state in which the goods are picked up or delivered. Harvard University currently pays sales tax on items picked up in or delivered to Massachusetts (6.25%), California (7.25% and up), and Illinois (6.25%). Harvard University is not responsible for collecting sales tax on items delivered to states other than Massachusetts, California, and Illinois. Harvard’s separately incorporated affiliated entities (e.g., Trustees for Harvard University) may be subject to sales tax in additional states depending on where they are registered to do business; contact Tax Reporting for additional guidance.

Below is a chart of the sales tax exemptions that are most likely to apply to units under the umbrella of President and Fellows of Harvard College. This is **not** a complete list of exemptions; separately incorporated affiliated entities may have additional state exemptions. Contact Tax Reporting for additional information.

	Massachusetts	California	Illinois
Sales to tax-exempt organizations	Exempt with proper documentation (Forms ST-2 and ST-5)	No general exemption	Exempt with proper documentation (Illinois “E” number)
Personal and professional services	Exempt	Exempt	Exempt
Items purchased for resale	Exempt with certification	Exempt with certification	Exempt with certification
Casual and isolated sales (infrequent and nonrecurring)	Exempt	Exempt	Exempt
Sales delivered out-of-state	Exempt	Exempt	Exempt
Shipping and warranties (if separately stated)	Exempt	Exempt	Exempt
Clothing	Exempt	Taxable	Taxable
Food (except prepared meals)	Exempt	Exempt	Reduced rate
Periodicals such as newspapers and magazines	Exempt	Exempt	Exempt
Other University publications	Exempt	Taxable	Taxable

Proceeds from taxable sales should be deposited into the University's Taxable Sales bank account. Deposit forms can be obtained from the Cash Management Office by contacting extension 6-0853, (617) 496-0853.

For more information about sales tax, please contact the Tax Reporting Office.

Amy Esposito, Associate Director, Tax Reporting

Amy_esposito@harvard.edu

Brian Carithers, Tax Analyst

Brian_carithers@harvard.edu

Other helpful resources:

Massachusetts Department of Revenue Guide to Sales and Use Tax

<http://www.mass.gov/dor/individuals/taxpayer-help-and-resources/tax-guides/salesuse-tax-guide.html>

Massachusetts Department of Revenue Guide to Sales Tax on Meals:

<http://www.mass.gov/dor/individuals/taxpayer-help-and-resources/tax-guides/meals-tax-guide.html>