

MEMORANDUM

DATE: April 6, 1992  
TO: All School Principals  
FROM: Scott E. Powers, CPA *SEP*  
Internal Auditor  
SUBJECT: Michigan Sales Tax

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ARE YOU VIOLATING STATE LAW?

The State of Michigan requires that school districts and other related groups (PTA's, PTO's, booster clubs, student groups, etc.) remit sales tax on all fund-raising and resale activities. Even though the school district is an exempt organization, the State specifically excludes fund-raising and resale activities from the exemption. Therefore, sales tax must be considered every time there is an activity of this nature.

EXCEPTION TO THE RULE:

The only exception to the sales tax requirement is in the area of food sales. The State laws say that food is exempt from sales tax unless it is for immediate consumption. Therefore, if boxed candy or prepackaged food is sold, no sales tax need be remitted. However, if food concessions are sold or a dinner is put on, then sales tax is due the State.

METHODS OF HANDLING SALES TAX:

To properly handle the sales tax, the State offers two options to school districts (see Attachment A). They are:

1. The school may obtain a sales tax license, collect sales tax on the sales, and remit it monthly to the Michigan Department of Treasury.
2. The school district may pay sales tax to the vendor when they purchase the items for resale.

If you use Option 1, a list of the gross sales and corresponding account number must be submitted monthly to Doris Tyler in the

Finance Department so that she may remit the sales tax to the State.

Option 2 is preferable to Option 1 because it is generally less difficult to account for. Under this option, sales tax is paid to the vendor when the goods for resale are purchased. All you have to do is maintain documentation (copy of vendor invoice showing sales tax, fund-raising agreement addressing sales tax, etc.) in the fund-raising file to substantiate that sales tax was paid.

PTA's, booster groups, or other autonomous organizations affiliated with your school are bound by State law and have the same two options listed above. However, since they are legally independent from the district, they would have to apply to the State and receive their own sales tax number before utilizing Option 1.

**CONCLUSION:**

Attached to this memo are excerpts from various State publications that may be helpful to your understanding of the sales tax requirements as they relate to school districts. If you have any questions about sales tax and specific fund raisers or other activities, please contact me at extension 4067 and we can discuss your particular situations. Also, I have enclosed additional copies of this memo that you can forward to all PTA/PTO and booster organizations affiliated with your school.