

FAQ - Michigan Sales Tax and MSUE compiled by Steve Lovejoy, June, 2012

1. Isn't Michigan State University exempt from paying sales tax?
 - a. The State of Michigan (SOM) does exempt MSU from paying sales tax on items it purchases. However, if MSU re-sells those items, or portions of them, MSU is legally required to collect sales tax and remit it to the SOM. This is called the re-sale provision.
 - b. Example – MSUE contracts with a commercial printer to supply 1000 copies of an educational bulletin; we supply the printer with the tax exempt form and pay NO sales tax. If we then sell those bulletins, we are legally required to collect sales tax and remit to SOM. If we give them away, there is no re-sale, therefore no sales tax would be due.

2. Many MSUE clients are also exempt from paying sales tax (e.g. local units of government, agricultural producers), so how is that handled?
 - a. If the client provides a signed SOM form 3372, we can exempt them from paying sales tax.

3. Since most MSUE county offices sell less than \$1000 of sales tax eligible items per year, aren't we exempt?
 - a. Incorrect! SOM requires ALL retailers or re-sellers to charge, collect and remit sales tax. The only volume differentiation that the SOM makes concerning sales tax is the frequency of remittance (annual, quarterly, monthly). Also, remember each of us is a representative of MSU and it is MSU that is liable for the collection of sales tax; with our volume, MSU remits monthly.

4. My educational programs are all offered free of charge, so do I have to worry about sales tax?
 - a. No, if there is no re-sale of tangible goods, there is no sales tax due. However, you do need to worry about who pays for any expenses (e.g. room charges, refreshments, advertising, bulletins)?

5. My workshop is targeted at an internal (MSU) audience but I plan to charge a registration fee to cover expenses. The registration fee will be paid by MSU staff members from their operating accounts, is sales tax due?
 - a. No, since the funds are MSU accounts, there is no re-sale; therefore no sales tax is due.

6. There has been considerable discussion about whether sales tax should be collected for soil testing (home soil test kit and commercial soil tests) but what is the correct legal determination?
 - a. We have determined that soil testing is a service, not a tangible product, and therefore is not subject to sales tax.
 - b. If sales tax has been collected, even incorrectly, it must be remitted to the State of Michigan.
 - c. The MSUE Bookstore does not charge sales tax on the Homeowner soil test self mailer. They do charge sales tax, correctly, on the shipping.

7. Should sales tax be charged on the registration fee for a workshop?
 - a. If the registration fee contains items that we are reselling, then we need to charge sales tax ONLY on those items.

8. Should we just pay the sales tax to suppliers of products and then incorporate those costs into the registration fee? E.g. If we have already paid a caterer (including sales tax), then we can just put the entire amount into the events cost spreadsheet?
 - a. NO. MSU requires that we provide the vendor with a SOM form 3372 showing that we are tax exempt and then collect sales tax on the resold items.
 - b. MSU Controllers Office will not allow us to pay the sales tax (they require that we go back to the vendor and get a refund of sales tax paid when utilizing an MSU account).

9. Do we have to pay sales tax on 4H materials?
 - a. If we are reselling those materials to clients (youth or volunteer leaders) then we need to collect sales tax and remit to the State of Michigan.

10. I am working with an individual business owner (ag or non-ag), assisting them in their business plan as a level 3 activity. Should the charges to the client include sales tax?
 - a. No, this is a non-taxable service. However, if you provide tangible products (e.g. software that is for sale, bulletins, etc.) that portion of the cost is subject to sales tax.
11. I will be renting a meeting room at a local hotel for my workshop, do I need to consider sales tax?
 - a. Yes, either you pay sales tax to the hotel or claim an exemption (SOM Form 3372) and charge the sales tax to the participants as part of their registration fee (e.g. re-selling).
12. Where do I find the tax exempt form?
 - a. http://www.michigan.gov/documents/taxes/3372_216612_7.pdf