

## Procedures for Updating the Sales Tax Table in CFS

### Systemwide Financial Standards & Reporting (SFSR)

A. Purpose/Background: The purpose of these procedures is to ensure that the CSU system is in compliance with state law and is collecting and / or remitting tax to the Board of Equalization at the appropriate rates. This procedure is to ensure that the central sales tax table is always kept current with the appropriate district tax rates.

From time to time, the applicable sales tax rate for a particular city / county / municipality will change. This is due to a change in the district tax as approved by voters to fund various public projects. Typically, district tax rate changes are effective on the “operative date” of April 1<sup>st</sup> or October 1<sup>st</sup> due to general election cycles. However, a special election can impose district rates effective on days other than April 1<sup>st</sup> or October 1<sup>st</sup>. The operative date means the first day of the first calendar quarter commencing more than 110 days after the adoption of the ordinance by the voters.

B. Definitions:

- a. District – A “district” is a local jurisdiction that, under enabling statutes in various codes, may impose transactions (sales) and use taxes within its borders. Voter approved district taxes are levied on a county-wide basis and within many incorporated city limits.
- b. Statewide “Base Rate” – The minimum tax rate applicable to a purchase or sale in California (as of the effective date of these procedures, 8.25%). The largest beneficiary of the base rate is California’s general fund, and other beneficiaries include county and city transportation and operating funds. The actual tax rate can be higher due to the additional requirement to collect district taxes depending on the location of the buyer and / or seller.
- c. District Taxes – District taxes are either transactions (sales) or use taxes levied by a particular district.
- d. Central Sales Tax Table – The configuration tables delivered by Oracle PeopleSoft, Tax Authorities and Tax Code, that all campuses will use to charge tax on all sales and purchases. Tax rates for purchase orders will be pulled from the configuration as well as

applicable tax for manual transactions processed by AP. These tables must be kept up-to-date with respect to any district in which the CSU is located.

C. Applicability: The current tax rate is applicable to all sales and purchases made by the California State University system. The tax rate is comprised of the statewide base rate, plus the appropriate district rate. Determination of the appropriate district rate is based on where goods are delivered.

D. Responsibilities:

The Systemwide Tax and Legislation Analyst is responsible for maintaining the central sales tax table.

Campus Procurement and AP departments are responsible for notifying the Chancellor's Office of any new locations where goods are received by campuses, as well as notification of locations no longer used by campuses.

E. Procedures:

Step 1. Upon the addition or deletion of a new location, campus must contact the Systemwide Tax and Legislation Analyst, Nik Bassi, via email (nbassi@calstate.edu). Campus must include the date it will begin receiving goods at the new location.

Step 2. The Systemwide Tax and Legislation Analyst will review the Board of Equalization website to determine the rate applicable to any new location reported by a campus. In addition, on the 15<sup>th</sup> of every month the analyst will review the website to find any changes to the sales and use tax rates resulting from either general or special elections.

Step 3. The Systemwide Tax and Legislation Analyst will communicate all changes to the central sales tax table to CMS by sending an email to the Financial Information Systems Administrator to open a ticket to update the configuration. The following must be included in the communication:

- Name of the table being updated
- Purpose of the update request
- Effective date of the change

Step 4. The Systemwide Tax and Legislation Analyst will communicate the district rate changes to the tax coordinators who serve at campuses affected by the updates via an email issued concurrent with the submission of the CMS request. Such communication will include the effective date of the updates and will include a request that the tax coordinators alert all interested parties at their campuses.

F. References:

Guidance for Prospective Special Taxing Jurisdictions

<http://www.boe.ca.gov/sutax/newloctax.htm>

CA Board of Equalization Publication 44 – District Taxes

District Taxes, Rates, and Effective Dates

<http://www.boe.ca.gov/sutax/pdf/districtratelist.pdf>

Procedures effective January 1, 2011