FIN-032

Collecting, Reporting, and Remitting Sales Tax

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Policy Type University

Contact Office Financial Operations & Tax

Oversight Executive
Vice President and Chief Financial Officer

Applies To Academic Division, the Medical Center, and the College at Wise.

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Reason for Policy

The University is committed to complying with applicable state and local sales tax laws and regulations. University requirements have been established for collecting, reporting, and remitting sales tax to avoid penalties for failure to timely file complete and accurate tax returns.

Definition of Terms

Activity Head

Description The individual responsible for a University unit or department that performs a service.

Economic Nexus

Description

A financial connection between a state and a non-resident seller sufficient to permit the state to assert its taxing authority over the seller (as defined by the US Supreme Court). Economic nexus is established when a seller exceeds the threshold number of transactions and/or dollar amount of sales. Once economic nexus is established, the state can require the collection of sales tax for products shipped into that state.

Foreign State

Description Any state or territory in the United States other than the Commonwealth of Virginia.

Tangible Personal Property (1)

Description

Property, other than real property, which may be seen, weighed, measured, felt, or touched, or is in any other manner perceptible to the senses. Under Virginia law, the term "tangible personal property" does not include stocks, bonds, notes, insurance, or other obligations or securities (as defined in VA Code § 58.1-602).

Policy Statement

As a nonprofit governmental entity, the University is exempt from paying sales tax on most purchases of goods and services. However, no similar exemption exists when the University is the seller of taxable goods and services to the public, corporations, or other institutions.

Accordingly, the University must collect, report, and remit sales tax to the Commonwealth of Virginia and to any foreign state where it has established economic nexus. Activity heads are responsible for collecting sales tax as required by applicable state law. Financial Operations & Tax is responsible for filing and remitting sales tax on behalf of the University and for monitoring foreign state economic nexus thresholds.

I. **Collection:**
   Activity heads are required to collect state and local sales tax at the point of sale in accordance with the laws of Virginia and those of any jurisdictions where the University has established economic nexus, and to remit sales tax receipts to Financial Operations & Tax for payment to the relevant tax authorities.
II. **Virginia Sales Tax:**
   Activity heads must collect Virginia sales tax on the following items sold to customers residing in Virginia:
   - The sale of all tangible personal property, except for:
     - Textbooks sold to University students; and
     - Retail sales of meals to students or others, if the price of the meals is included in room, board, or tuition and fee charges.
   - Any services included in the sale of tangible personal property which are not charged separately.
   - The fabrication of tangible personal property for consumers, who furnish, either directly or indirectly, the materials used in fabrication.
   - The furnishing, preparing, or serving for a fee of any tangible personal property consumed on the premises of the person furnishing, preparing, or serving such tangible personal property.

III. **Foreign State Sales Tax:**

Most state tax authorities require sales tax to be collected on tangible personal property but do not impose a sales tax on services. However, there are exceptions such as meals and lodging which are taxable in most jurisdictions, and such as shipping costs or digital goods which may be taxable in one jurisdiction but not another. Activity heads expecting to ship tangible personal property to customers in foreign states must consult Financial Operations & Tax to develop a foreign state sales tax collection process.

Financial Operations & Tax monitors aggregate sales into foreign states to identify where the University has established economic nexus. Financial Operations & Tax is responsible for collecting and remitting sales tax at the correct rate in those jurisdictions. A current list of foreign states where the University has established economic nexus is available on the UVA Finance website.

IV. **Purchasers Exempt from Sales Tax:**

Purchasers who are nonprofit or governmental entities, or who are authorized resellers, may be exempt from sales tax. Before exempting a sale from tax, the activity head is responsible for obtaining a sales tax exempt certificate from the purchaser valid in the jurisdiction in which the purchaser is located. If located in Virginia, the purchaser must provide the University with a copy of Virginia Form ST-10 or ST-12 before a tax exemption can be granted. For the sales tax exemption documentation required in foreign states, contact Financial Operations & Tax.

V. **Service Exception on Collection of Sales Tax:**

A. **Virginia Services:**

Except for taxable services as defined in 23VAC10-210-4040, such as restaurant meals and short-term lodging, the University is not required to collect state and local sales tax for sales of services. Some common examples of non-taxable services include, but are not limited to:

- Professional, insurance, or personal service transactions that involve sales as inconsequential elements which are not charged separately.
- Services rendered by repair persons for which a separate charge is made.
- Services not involving an exchange of tangible personal property which provide access to or use of the internet and any other related electronic communication service delivered electronically via the internet.
- The amount separately charged for labor or services rendered in installing, applying, remodeling, or repairing tangible personal property sold.
- Transportation charges separately stated.

For a complete list of Virginia sales tax exemptions, see to Title 58.1, Chapter 6 of the Virginia Code.

B. **Foreign State Services:**

The deployment of University employees to provide services in a foreign state could have unintended tax consequences for the University. If an activity head intends to provide services in a foreign state, they should contact Financial Operations & Tax. Prior to engaging in such activities, the activity head must consult with the Office of Research Security/Export Controls Program to determine whether the proposed services, activities, technology, equipment, or transactions are subject to U.S. export control or economic sanctions requirements and whether any authorization or other compliance measures are required.

VI. **Reporting Sales Tax:**

A. **Virginia Sales:**

The activity head is responsible for completing and submitting to Financial Operations & Tax the

electronic UVA sales tax worksheet on a monthly basis, even if there have been no sales for that month. The UVA sales tax worksheet must be submitted no later than the sixth day of the month following the month of the sale. The activity head must retain documentation substantiating its sales together with any sales tax exemption certificates collected for non-taxable sales.

B. **Foreign State Sales:**
The individual responsible for the activity is responsible for tracking and reporting sales of any products shipped into foreign states to Financial Operations & Tax. Foreign state sales must be submitted no later than the sixth day of the month following the month of the sale. Financial Operations & Tax will assist in identifying taxable sales and the applicable sales tax rate in jurisdictions where the University has established economic nexus.

Prior to any international sale, transfer, or shipment, the responsible individual must consult with the Office of Research Security/Export Controls Program to determine whether the transaction is subject to U.S. export control or economic sanctions requirements or other authorization requirements.

C. **Late Charges:**
Any department failing to meet the monthly reporting deadline will be charged for any resulting late charges assessed to the University.

VII. **Remittance of Sales Tax Receipts:**
Financial Operations & Tax aggregates University sales tax receipts and electronically remits them to the appropriate tax authorities, including the Virginia Department of Taxation, with full payment. The expense is charged to the respective departmental revenue accounts to recover the tax payments made on their behalf.

VIII. **Responsibilities**:
The ***activity head*** is responsible for:

- Collecting sales tax when a sale in their area is subject to sales tax.
- Retaining documentation related to sales including copies of customer exemption certificates.
- Submitting to Financial Operations & Tax no later than the sixth day of the following month:
    - Monthly Virginia sales data by completing the electronic UVA sales tax worksheet.
    - Monthly foreign state sales data as required by Financial Operations & Tax.

Financial Operations & Tax is responsible for:

- Aggregating University sales tax receipts.
- Remitting such receipts on a monthly basis to the appropriate state department of taxation.
- Charging the respective departmental revenue accounts to recover the tax amount paid on their behalf.

IX. **Compliance with Policy:**
Failure to comply with the requirements of this policy may result in disciplinary action up to and including termination or expulsion in accordance with relevant University policies.

Direct questions about this policy to Financial Operations & Tax.

Procedures

University of Virginia Sales Tax Information

Related Information

FIN-043: Managing Export and Sanction Compliance in Support of University Activities
Virginia Department of Taxation, Sales and Use Tax
Supreme Court Opinion, South Dakota v. Wayfair, Inc
AICPA Summary of South Dakota v. Wayfair

Major Category Finance and Business Operations

Next Scheduled Review Sunday, August 26, 2029

Revision History

Edited Section V.B and VI.B 9/14/26; Clarified language, added Section III, IV, V.B 8/26/26; Confirmed 4/22/26; Updated 6/28/23; 9/25/20; 4/24/18.

Supercedes Policy Text

V.A.3, Responsibility for the Collection, Reporting, and Remittance of Virginia Sales Tax.

Approved By Policy Review Committee

Approved Date Thursday, March 31, 2011