

2018 Florida Back-to-School Sales Tax Holiday Frequently Asked Questions – Sales and Use Tax Dealers

1. What happens during the 2018 Back-to-School Sales Tax Holiday?

During the 2018 Back-to-School Sales Tax Holiday, certain clothing, footwear, and accessories selling for \$60 or less per item, and certain school supplies selling for \$15 or less per item are exempt from sales tax. The holiday period begins on Friday, August 3, 2018, and ends on Sunday, August 5, 2018. A list of items exempt from tax during the holiday period is provided in Tax Information Publication (TIP) No. 18A01-07.

2. If the selling price of an item of clothing is more than \$60, is the first \$60 exempt from sales tax?

No. The tax exemption applies to items selling for \$60 or less. If an item sells for more than \$60, tax is due on the entire selling price.

3. If the selling price of a school supply item is more than \$15, is the first \$15 exempt from sales tax?

No. The tax exemption applies to school supply items selling for \$15 or less. If an item sells for more than \$15, tax is due on the entire selling price.

4. Is there a limit on the number of items that can be sold exempt during the sales tax holiday?

No. The exemption is based on the sales price of each item.

5. If a package or set of items contains both taxable items and items exempt during the sales tax holiday, is the package or set exempt during the holiday period?

No. Items that are tax exempt must be sold as separate items during the holiday period to qualify for the exemption.

6. Are businesses responsible for correctly exempting qualifying items during the sales tax holiday?

Yes. You are responsible for correctly exempting qualifying items during the holiday period. If you have a question about a specific item that is not listed in TIP No. 18A01-07, contact the Department at **850-488-6800**.

7. Is my business required to participate in the 2018 Back-to-School Sales Tax Holiday?

Businesses that sell a small number of the items qualifying for the back-to-school sales tax holiday are permitted to “**opt out**” of participation in the holiday. Businesses eligible to “opt out” must:

- have less than 5% of their gross sales during calendar year 2017 be from sales of items that would be exempt if they were sold during the 2018 Back-to-School Sales Tax Holiday,
- notify the Department of Revenue in writing by August 1, 2018, and
- post a notice that they are “opting out” of the sales tax holiday in a conspicuous place at the business location.

For more information on the notice requirements and how to send the notice to the Department, see TIP No. 18A01-07.

8. Do I need to change my accounting system to show the temporary exemptions?

No. Your accounting system should adequately identify all items sold that are exempt from tax during this sales tax holiday.

Refunds/Exchanges

9. What should I do if I mistakenly collect tax on an item that should be exempt from tax during the sales tax holiday?

You should refund the tax to your customer(s). If the tax cannot be refunded, you must report and pay the tax to the Department.

10. What if a customer comes back after the sales tax holiday for a refund of the tax they paid, but I have already remitted the tax to the Department?

You should refund the tax to your customer. You may take a credit on your next sales and use tax return for the tax refunded to the customer.

11. A customer returns an item that was purchased before the sales tax holiday period and exchanges it for another item during the holiday period. The new item is exempt from tax during the holiday period. Do I give the customer a tax refund?

Yes. You must have documentation (e.g., receipts or invoices) showing that tax was paid on the item at the time of the original purchase.

12. If a customer returns a qualifying exempt item and is given an item of equal price after the sales tax holiday period, is sales tax due on the new item?

If a customer buys an item exempt from tax during the tax holiday period and exchanges it for the same type of item (e.g., different size or color) after the holiday period expires, no tax is due.

If a customer buys an item that is exempt from tax during the tax holiday period and returns the item after the holiday period and gets a different type of item, sales tax will apply to the new purchase even if it is the same price.

Coupons, Discounts, and Rebates

13. Why does a store discount coupon reduce the sales price of an eligible item, but a manufacturer's coupon or rebate does not?

The sales price of an item includes all consideration received by the retail seller for that item. The price of an item is not limited to the amount paid by a customer. A coupon, discount, or rebate offered by the retail seller reduces the sales price of an item because it reduces the total amount received by the retail seller for the item.

When a retail seller is reimbursed for the amount of any discount created by a manufacturer's coupon, discount, or rebate, the amount of the reimbursement is included in the taxable sales price of the item.

Manufacturer's coupon example: During the sales tax holiday period, a jacket sells for \$65. The customer uses a \$10 manufacturer's coupon when purchasing the jacket. Although the customer pays \$55 for the jacket, the retail seller's sales price remains \$65 because the

seller will receive a total of \$65 for the item: \$55 from the customer and \$10 from the manufacturer. The jacket does not qualify for the exemption during the holiday period (the price of the jacket is more than \$60).

Manufacturer's rebate example: During the sales tax holiday period, a package of school supplies containing pens, mechanical pencils, and highlighters sells for \$20. The manufacturer is offering a \$5 instant rebate that is redeemed when a package of school supplies is purchased from the retail seller. Although the purchaser pays \$15, the retail seller's sales price remains \$20 because the seller will receive a total of \$20 for the item: \$15 from the purchaser and \$5 from the manufacturer. The package of school supplies does not qualify for the exemption (the price of the item is more than \$15).

Store discount coupon example: During the sales tax holiday period, a pair of pants sells for \$62.50. The department store, or retail seller, is offering a 10% discount. After applying the 10% discount, the discounted sales price for the pair of pants is \$56.25. The pants are exempt (the sales price is \$60 or less).

Gift Cards

14. If a gift card is purchased during a sales tax holiday, can the customer purchase a qualifying item tax exempt after the sales tax holiday ends?

No. The purchase of the eligible item must be made during the holiday period to be tax exempt. However, when eligible items are purchased during the holiday period using a gift card, the eligible items qualify for the exemption; it does not matter when the gift card was purchased.

Rain Checks

15. If a rain check is issued during the sales tax holiday, can it be used after the holiday to purchase the item tax exempt?

No. The purchase of the eligible item must be made during the holiday period to be tax exempt. When a rain check is issued, a sale has not occurred. The sale occurs when the rain check is redeemed and the item is purchased.

Layaway Sales

16. Are items placed on layaway eligible for the tax exemption during a sales tax holiday?

Yes. A layaway is when an item is set aside for a customer who makes a deposit, agrees to pay the balance of the purchase price over a period of time, and receives the merchandise at the end of the payment period. Eligible items placed on layaway during a holiday period are tax exempt, even if final payment of the layaway is made after the holiday period. If a customer makes a final payment and takes delivery of the items during the holiday period, the eligible items are tax exempt.

Mail-Order, Catalog, or Internet Sales

17. Do the exemptions during a sales tax holiday apply to mail-order, catalog, or Internet sales?

Yes. All mail-order, catalog, or Internet sales of eligible items during the holiday are tax exempt when the order is accepted during the holiday period for immediate shipment, even if delivery is made after the holiday period.

An order is accepted by the mail-order company when action has been taken to fill the order for immediate shipment. Actions to fill an order include assigning an “order number” to a telephone order, confirming an Internet order by an email to the customer, or placing a date received on an order received by mail.

An order is considered an immediate shipment when delayed shipment is not requested by the customer. An order is an immediate shipment even if the shipment may be delayed because of a backlog of orders or stock is currently unavailable or on back order.

18. What do I do about shipping charges for the items purchased by mail-order or through a catalog or the Internet?

Shipping charges separately stated on a customer’s invoice are part of the sales price of each item listed on the sales invoice. You must proportionately allocate the shipping charges between the items ordered. The amount of each item is divided by the total amount of all the items ordered to obtain the percentage that each item bears to the total order. Then multiply the total shipping charge by the percentage for each item to determine the amount of the shipping charge applicable to each item.

A customer orders a \$60 jacket and a \$36 dress, for a total of \$96 during the sales tax holiday period. The shipping charge is \$10.

Jacket -- Cost of jacket/total cost: $\$60 / \$96 = 62.5\%$; Shipping charge for jacket: $62.5\% \times \$10 = \6.25
○ Total sales price for the jacket: $\$60 + \$6.25 = \$66.25 + \text{tax}$

Dress -- Cost of dress/total cost: $\$36 / \$96 = 37.5\%$; Shipping charge for dress: $37.5\% \times \$10 = \3.75
○ Total sales price for the dress: $\$36 + \$3.75 = \$39.75$

The dress qualifies for the exemption. The jacket is now more than \$60 with the shipping charge included and no longer qualifies for the exemption.

Records and Reporting

19. Do I need to account for exempt sales during a sales tax holiday differently than other tax-exempt sales?

No. There are no additional record-keeping requirements.

Merchant’s License or Other Fees (Two Cities in Bay County Only)

20. How do I handle the 1% merchant’s license fee (sometimes referred to as a *gross receipts fee*) in Panama City or Panama City Beach during a sales tax holiday?

When stores located in these two cities charge customers the 1% fee, it is part of the sales price subject to sales tax, even when the fee is separately stated on a receipt or invoice. When the sales price of the item, plus the 1% merchant’s license fee, makes the total sales price above the per-item price limitation to qualify for exemption during the holiday period, the item does not qualify for the exemption.

Example of Item Sold in Panama City

Price of backpack	\$60.00
1% merchant’s license fee	+ \$0.60
Taxable value of backpack	\$60.60

The backpack is more than \$60 and does not qualify for the exemption.