



Oakland University

Administrative Policies and Procedures

SUBJECT: SALES AND USE TAX ON RENTAL PROPERTY

NUMBER: 270

AUTHORIZING BODY: PRESIDENT'S CABINET

RESPONSIBLE OFFICE: CONTROLLER'S OFFICE

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RATIONALE: To provide guidance regarding state sales and use tax requirements on equipment purchased for rental to other parties.

POLICY: Departments that rent Tangible Personal Property to other than University Departments are to pay sales tax on that property at time of purchase. Examples of Tangible Personal Property that are subsequently rented to other than University Departments are refrigerators, golf carts, Meadow Brook Hall tent, etc. Tax is to be computed at 6% of the acquisition price. Notification to Accounts Payable that sales tax is required should be placed on the invoice where sales tax is indicated.

Leased Tangible Personal Property: Tangible Personal Property which the University leases, then in turn rents to users (e.g., golf carts, tables and chairs for social/cultural functions), are covered by this policy. Departments are to calculate and pay use tax at 6% of the lease payment. Notification to Accounts Payable that sales tax is required should be placed on the invoice where sales tax is indicated.

Background: State regulations require the collection of a use (sales) tax for rental of Tangible Personal Property. The state allows the University to choose one of two methods of calculating and paying this tax:

1. Collecting use tax every time the University rents the property. The tax would be based on gross rental receipts; or,
2. Payment of sales tax one-time upon acquisition of the property. Under this method the

University would not collect use tax when renting the property.

The University selected option #2. State regulations require that only one method be used for all applicable property. Having selected option #2 there may be no exception. Note that this policy is not applicable where Tangible Personal Property is rented exclusively to other University Departments (e.g., Motor Pool vehicles.)

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