

FREQUENTLY ASKED QUESTIONS - THE SALES TAX HOLIDAY WEEKEND

Clothing is already exempt from the sales tax, isn't it? Clothing isn't included then is it? Clothing up to \$175 is already exempt from the sales tax; on the holiday that exemption will be expanded to \$2,500. If one buys an article of clothing costing over \$2,500, the amount paid, less \$175 will be subject to the sales tax. For example, if a customer buys a jacket on the holiday costing \$2,300 they do not pay sales tax. If however, they buy a jacket costing \$2,775 they must pay sales tax on \$2,600.

Telecommunications services are not sales tax exempt under the sales tax holiday. What about cell phones? Cell phones are tax exempt on the holiday only to the extent of the price of the phone. Services under a contract are not eligible.

Are pre-paid calling cards tax exempt? No, pre-paid calling cards are considered a telecommunication service and therefore subject to sales tax.

Are tobacco products included in the tax free holiday? No, tobacco products remain taxable.

I see motor vehicles such as cars and boats are excluded. What about ATVs, scooters, canoes and kayaks? "Motor vehicle" is very broadly defined and would include ATVs and small motorcycles, but not if they are incapable of going over 12 miles per hour or are motorcycles that are 50ccs or less (like mopeds). These definitions are referenced in the Department of Revenue's TIR and come from the regulation 830 CMR 64H.25.1 and G.L. c. 90, s.1. As for boats, non-motorized boats (costing \$2500 or less) are covered by the sales tax holiday and are exempt from tax. Thus canoes, kayaks, and row boats costing \$2500 or less that are not motorized, may be sold tax free. The DOR refers to the definition of "motorboat" in Chapter 90B, Section 1 of the MA General Laws in their TIR.

Are car and boat rentals exempt from sales tax? Rentals of motor vehicles and boats are sales for purposes of the sales tax. So motor vehicle rentals and motorized boat rentals are not included in the holiday, however, rentals of non-motorized boats would be included, and thus tax exempt.

Are other types of rentals eligible for the sales tax exemption? Most rentals qualify for the holiday if payment is made for the rental on the holiday, even if the rental period covers days before or after the holiday.

Are video rentals eligible? Yes.

What about golf carts? Do they count as motor vehicles and are therefore non-exempt? Golf carts are not considered to be motor vehicles and are therefore eligible for the sales tax holiday exemption, both on rentals and purchases (for non-business use).

Is the sale of gasoline exempt from sales tax? Gasoline is not ordinarily subject to sales tax as it has its own excise tax and is therefore non-exempt.

Are tickets such as airline, concert and sporting events included? No tickets are considered services and not subject to sales tax.

If a customer has previously placed a deposit on an item and would like to pay the remaining amount on the holiday does this qualify for exemption? No, prior sales and layaway sales are not eligible for the holiday. Layaway sales do not qualify for the holiday even if the last required payment or payments necessary to complete the transaction are made on August 12 or 13, 2006.

Do you have to invoice sales separately when multiple items add up to more than \$2500? No, as long as each individual item is \$2500 or less, there is no upper limit on the tax-free amount each customer may spend in your store. Thus a \$2500 item, and a \$100 item can be rung up together, both tax free.

Do I have to use the Purchaser's Certification of Non-business Use even though our items are clearly non-business items? Yes, the Certification (or a similar form with the same information and signature requirement) must be used (and retained for 3 years) for any transaction totaling \$1000 or more. This includes multiple item transactions adding up to \$1000, not just for items individually costing \$1000 or more.

I know that business purchases are excluded, but could I still use a business credit card for purchases for my own use? Items purchased on a business account, business checking account, or business credit cards do not qualify, even if the buyer prepares and signs the certification of personal use.

Are sales representatives of multi-tier marketers operating under combined remittance agreements with the Commonwealth included in the sales tax holiday? Yes, sales reps should not charge sales tax on their retail sales on Saturday and Sunday, August 12 and 13, 2006, they should seek reimbursement for uncollected sales tax from their companies for sales made on the holiday. Companies operating under these arrangements include Mary Kay, Creative Memories, and Pampered Chief, but there are many others. Sales reps should know if this applies to them since they will have paid a sales tax to their companies on the full retail price of the product at the time they purchased their inventory (not the discounted/wholesale price paid by the rep.) Purchases made by reps on the holiday are business related and not subject to the holiday.