



Sales Tax Holiday 2017

Ohio Department of Taxation

http://www.tax.ohio.gov/sales_and_use/salestaxholiday/holidayfaq.aspx

S.B. 9 enacted a sales tax holiday to occur only in 2017. The holiday starts on Friday, August 4, 2017 at 12:00 a.m. and ends on Sunday, August 6, 2017 at 11:59 p.m.

During the holiday, the following items are exempt from sales and use tax:

- Clothing priced at \$75 per item or less;
- School supplies priced at \$20 per item or less; and
- School instructional material priced at \$20 per item or less.

Items used in a trade or business are not exempt under the sales tax holiday.



Frequently asked Questions

1. When is the sales tax holiday?

S.B. 9 enacted a one-time sales tax holiday to occur only in 2017. The holiday starts on Friday, August 4, 2017 at 12:00 a.m. and ends on Sunday, August 6, 2017 at 11:59 p.m.

2. What items qualify for the sales tax holiday?

During the holiday, the following items are exempt from sales and use tax:

- An item of clothing priced at \$75 or less;
- An item of school supplies priced at \$20 or less; and
- An item of school instructional material priced at \$20 or less.

Items used in a trade or business are not exempt under the sales tax holiday.

3. Can multiple qualifying items be purchased in a single tax-exempt transaction?

For example, would the purchase of two shirts, two pair of pants, a pair of shoes and a jacket (each item costing \$50, total purchase \$300) be tax exempt? There is no limit on the amount of the total purchase. The qualification is determined item by item.

4. What items of clothing qualify?

“Clothing” is defined as all human wearing apparel suitable for general use. “Clothing” includes, but is not limited to, shirts; blouses; sweaters; pants; shorts; skirts; dresses; uniforms (athletic and nonathletic); shoes and shoe laces; insoles for shoes; sneakers; sandals; boots; overshoes; slippers; steel-toed shoes; underwear; socks and stockings; hosiery; pantyhose; footlets; coats and jackets; rainwear; gloves and mittens for general use; hats and caps; ear muffs; belts and suspenders; neckties; scarves; aprons (household and shop); lab coats; athletic supporters; bathing suits and caps; beach capes and coats; costumes; baby receiving blankets; diapers, children and adult, including disposable diapers; rubber pants; garters and garter belts; girdles; formal wear; and wedding apparel.

5. What is not included in the definition of clothing?

While clothing is eligible for the holiday, the following items are not eligible for the holiday and are subject to tax during the holiday period:

- Items purchased for use in a trade or business.
- Clothing accessories or equipment. Clothing accessories or equipment

include: briefcases; cosmetics; hair notions, including, but not limited to, barrettes, hair bows, and hair nets; handbags; handkerchiefs; jewelry; sun glasses (non-prescription); umbrellas; wallets; watches; and wigs and hair pieces.

- Protective equipment. Protective equipment includes: breathing masks; clean room apparel and equipment; ear and hearing protectors; face shields; hard hats; helmets; paint or dust respirators; protective gloves; safety glasses and goggles; safety belts; tool belts; and welders gloves and masks.
- Sewing equipment and supplies including, but not limited to, knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles; and sewing materials that become part of "clothing" including, but not limited to, buttons, fabric, lace, thread, yarn, and zippers.
- Sports or recreational equipment. Sport or recreational equipment includes ballet and tap shoes; cleated or spiked athletic shoes; gloves, including, but not limited to, baseball, bowling, boxing, hockey, and golf; goggles; hand and elbow guards; life preservers and vests; mouth guards; roller and ice skates; shin guards; shoulder pads; ski boots; waders; and wetsuits and fins.
- Belt buckles sold separately.
- Costume masks sold separately.
- Patches and emblems sold separately.

6. Does the \$75 exemption apply to the first \$75 of an item of clothing?

In other words, if the selling price of an item of clothing is \$80, is the first \$75 exempt from sales tax? No. The exemption applies to items selling for \$75 or less. If an item of clothing sells for more than \$75, tax is due on the entire selling price.

7. What if the retailer sells a pair of shoes for \$125, can the retailer split the pair of shoes to fall below the threshold?

No. A retailer may not split items that are normally sold together in order to fall under the sales price threshold.

8. What types of items qualify as school supplies?

"School supplies" include only the following items: binders; book bags; calculators; cellophane tape; blackboard chalk; compasses; composition books; crayons; erasers; folders (expandable, pocket, plastic, and manila); glue, paste, and paste sticks; highlighters; index cards; index card boxes; legal pads; lunch boxes; markers; notebooks; paper; loose leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper, colored paper, poster board, and construction paper; pencil boxes and other school supply boxes; pencil sharpeners; pencils; pens; protractors; rulers; scissors; and writing tablets.

Items not included in this list are taxable. "School supplies" does not include any item purchased for use in a trade or business.

9. What types of items qualify as school instructional material?

“School instructional material” includes only the following items: reference books, reference maps and globes, textbooks, and workbooks.

Items not included in this list are taxable. “School instructional material” does not include any material purchased for use in a trade or business.

10. Will items purchased for my business be eligible for the tax exemption during the sales tax holiday?

No. The exemption does not apply to items used in a trade or business. If a consumer purchases an item that is to be used in a trade or business and the retailer does not collect sales tax, the consumer is obligated to report the purchase and pay consumer’s use tax on the item. The consumer may report and pay the tax on the regularly filed return, or if the consumer does not have a use tax account, may report and pay the tax on his or her personal income tax return or use form VP-USE located in the forms section of the Department’s web site (tax.ohio.gov) if this is a one-time transaction.

11. What about buy one, get one free or items sold for a reduced price?

The total price of items advertised as “buy one, get one free” or “buy one for a reduced price” cannot be averaged to qualify both items for the exemption. The exemption depends on the actual price paid for each item. For example, if a consumer buys one clothing item at \$80 and receives another item for free, the purchase would be subject to sales tax.

12. How should a retailer handle items normally sold as a unit?

Articles normally sold as a unit must be sold that way during the sales tax holiday. They cannot be priced separately and sold as individual items to qualify for the exemption. However, components normally priced as “separates” may still be sold as separate articles.

13. How do retailers handle sales of sets containing both exempt and taxable items?

When exempt clothing, accessories, or footwear are sold together with taxable merchandise as a set or single units, the full price is subject to sales tax unless the price is separately stated.

14. How are coupons and discounts handled?

If a retailer offers a discount to reduce the price of an eligible item to \$20 (applies to school supplies) or less or \$75 (applies to clothing) or less, the item will qualify for the exemption. This applies to all discounts even if a retailer’s coupon or loyalty card is required to secure the discount. If a retailer accepts a coupon that entitles the retailer to third-party reimbursement, such as a manufacturer’s coupon, the discount provided by the coupon does not reduce the item’s sales price for purposes of determining whether the item is eligible for the exemption.

15. Does the exemption apply to rain checks?

Eligible items purchased during the sales tax holiday using a rain check qualify for the exemption only if the rain check is redeemed during the sales tax holiday. If it is redeemed after the holiday period, the purchase is taxable.

16. Does the exemption apply to rebates?

Rebates occur after the sale and do not reduce the sales price of an item for purposes of the

sales tax holiday threshold. If the price of the item before rebate exceeds the threshold, it is taxable.

17. Does the exemption apply to repairs, alterations, or items for rent?

The exemption does not apply to taxable services, such as alterations performed on clothing, accessories, or footwear, or to any rental costs.

18. Does the exemption apply to layaway sales?

Qualifying items placed on or picked up from layaway during the sales tax holiday are exempt from sales tax.

19. Does the exemption apply to mail, telephone, E-mail, and internet orders?

Qualified items sold to consumers by mail, telephone, e-mail, or Internet shall qualify for the sales tax exemption if the consumer orders and pays for the item and the retailer accepts the order during the exemption period for immediate shipment, even if delivery is made after the exemption period. However, if the order and payment were made before the sales tax holiday, even if the item was delivered during the sales tax holiday, it would not qualify for the exemption. Additionally, if an item is backordered and payment does not occur until a later shipment, the item would not qualify for the exemption.

20. Does the exemption apply to shipping and handling charges?

If all items in a shipment qualify as eligible items and the sales price for each is within the sales tax holiday price threshold, the shipping and handling charges are *not* taxable.

If the shipment includes exempt items and taxable items (including an eligible item with a sales price in excess of \$20 (school supplies)/\$75 (clothing)), the seller should allocate the shipping and handling charges by a percentage based on the total price of the taxable items to the total price of all the items in the shipment. The retailer must charge tax on the portion of the shipping and handling charges allocated to the taxable items in the shipment.

21. How should retailers handle exchanges and returns?

- If a consumer buys an eligible item during the sales tax holiday and later exchanges it for the same item in a different size or color, the retailer should not charge sales tax even if the exchange is made after the end of the sales tax holiday.
- If a consumer buys an eligible item during the sales tax holiday and returns the item after the tax holiday period for credit on the purchase of a different item, the retailer must charge sales tax on the sale of the newly purchased item, even if it would have been eligible for the exemption during the sales tax holiday.
- If a consumer buys an eligible item before the holiday period, but returns the item during the sales tax holiday period and receives credit on the purchase of a different item of eligible property, no sales tax is due on the sale of the new item. The retailer must provide the consumer credit for both the purchase price and sales tax paid on the item being returned.

22. How should retailers handle refunds?

Retailers should refund tax to any consumer who was charged sales tax on an exempt item during the sales tax holiday. Consumers who were charged tax by a retailer should take their receipt to the retailer for a refund.

23. How do retailers report exempt sales?

If you sold clothing, school supplies, or computers qualifying as exempt items during the sales tax holiday, these exempt items **must be reported on Ohio's Sales and Use Tax Return**. All sales for the period, including exempt sales, should be reported on Line 1, under Gross Sales of your sales tax return (form UST-1). Qualifying sales exempt during the holiday should be entered on Line 2 of your UST-1 and subtracted from gross sales along with any other exempt sales for the period.

24. Is reimbursement available for costs to adjust point of sale equipment?

No. S.B. 9 does not provide for reimbursement for any costs associated with making the necessary adjustments to point of sale equipment.

25. Can a vendor choose not to participate in the sales tax holiday?

No. The sales tax holiday is set by law and vendors must comply.

26. I often purchase products over the Internet. The website I utilize generally does not charge me the use tax, and I report the use tax related to these purchases on my personal income tax return. During the sales tax holiday, do I still have a use tax requirement for exempt items?

No, if your purchase would have been exempt from sales tax during the sales tax holiday, it is exempt from use tax. Please see the timing restrictions on Internet sales provided for in FAQ 19.

27. Does the sales tax holiday apply to the county and transit authority permissive tax rates?

Yes, state tax rates (R.C. 5739.02 and R.C. 5741.02) as well as county permissive tax rates (R.C. 5739.021, R.C. 5739.023, R.C. 5739.026, R.C. 5741.021, R.C. 5741.023, and R.C. 5741.023) are included in the sales tax holiday.

28. Can a retailer advertise for the sales tax holiday?

The Department will not endorse or approve any particular advertisement. However, there is no restriction on advertising for the sales tax holiday.

29. If I purchase from a seller online at 1:00 a.m. Friday, August 4, 2017 but that seller is located on the west coast in the Pacific Time Zone, should I be charged sales tax?

Yes. The time zone of the seller's location determines the authorized time period for a sales tax holiday when the purchaser is located in one time zone and a seller is located in another. In this instance, it is only 10:00 p.m. on Thursday, August 3, 2017 in the Pacific Time Zone. The sales tax holiday does not start until 12:00 a.m., on August 4, 2017.