



Purchasing & Accounts Payable

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Sale and Use Tax Update (Tax Bulletin 16-3)

The Department of Taxation changed its policy regarding the application of the Retail Sales and Use Tax to catering and other services related to purchases of food and meals by State & Local governmental entities effective April 22, 2016.

According to the new tax policy, state and local governmental entities may now use their respective exemption certificate ([Form ST-12](#)) to purchase prepared foods, catering and related services provided in connections with the sale of food **exempt of the sales and use tax if the university meets the following criteria.**

- 1) The applicable prepared food, catering and/or related services must further a function, mission, service or purpose of George Mason University.
- 2) The charge for the food, meals or catering must be for a group (not an individual) and be billed to and paid for by George Mason University Accounts Payable or paid for with Mason p-card. Prepared food and catering charges that are paid for with personal funds and subsequently reimbursed by Mason are not tax exempt.
- 3) George Mason University determines to whom, when and how the meals or food is served and consumed.

Catered Events:

All catered events, including those catered by Sodexo, are exempt from sales and use taxes as long as the event: (a) supports the mission of the university and (b) is considered essential to the operation of the university. Catered events of this type may be paid using Mason funds. Events supported by participant funds are also tax exempt provided they meet the criteria listed above.

University-sponsored event expenses that do not support the university mission include: retirement parties, employee going away parties, office holiday parties and birthday celebrations. Catered events of this type cannot be paid for using Mason funds and are not tax exempt.

Example: Mason holds a banquet to recognize outstanding students and purchases catering services through Sodexo. The invoice includes charges for the catered food, charges for servers and charges for event set up and take down. Mason pays the invoice through Accounts Payable. The entire invoice is exempt from the sales and use tax.

Individual Meals Purchased while in Travel Status

Restaurant or catered meals consumed by individuals while traveling for university business are not included in the tax exemption. Employees traveling to in-state conferences or purchasing and personally paying for a business meal at a restaurant typically seek reimbursement of the cost of the meal at a later time. Because the meal is not billed directly to the university and the university does not determine to whom, when, and how the meal will be served and consumed, the employee will be subject to sales and use tax on the meal purchase.

Example: Dr. Ko is leading a panel presentation at a conference in Richmond, VA. He has arranged a business meal to discuss the presentation with the panel before the conference begins and will pay for the meal with his personal credit card. The meal is not exempt from tax.

Business Meals Purchased at Restaurants by Groups

Business meals serve the university's mission and therefore qualify for the tax exemption. The exemption will only apply if the meal is direct billed to Accounts Payable or paid with a Mason P-Card. If the meal is paid with personal funds, the meal is not exempt from sales and use tax.

Example 1: Mrs. Parker is taking a candidate and two faculty members to lunch as part of the interview process. She has submitted an eVA order to Panera Bread. The meal is being direct billed to Accounts Payable and is therefore exempt from sales and use tax.

Example 2: Mr. Jones is taking a candidate to lunch as part of the interview process. Mr. Jones pays for the meal using his personal credit card. The meal is not being direct billed to Accounts Payable and therefore tax will be charged.

Prepared Meals Purchased at Grocery Stores:

Prepared meals purchased for later consumption **qualify** for the tax exemption. Prepared food items purchased from a grocery store are tax exempt if the items are: (a) to be consumed at the university and (b) charged to the P-Card or direct billed to Accounts Payable. Prepared food items purchased from a grocery store using personal funds are not exempt from sales and use tax. A p-card or eVA order (direct bill) is recommended for these grocery store purchases.

Example 1: Jack is hosting a late night social for his student club. He goes to the grocery store and purchases fried chicken and other prepared food. He pays for the items using an eVA purchase order. The grocery store will directly bill the university. Jack will not be charged tax on the transaction.

Example 2: Diane is holding a student committee meeting on campus. She purchases sandwiches and salads from the grocery store for the committee. She pays for the items using her personal credit card. Diane will be charged tax on the transaction.

Conference Services Activities:

Auxiliary Enterprises and The Office of Events Management will work with individual customers to determine if they qualify for this tax exemption. The client hosting the catered event must qualify for the exemption based on its own legal entity status. The customer must be a state or local governmental entity, a nonprofit organization or a nonprofit church to qualify under this exemption. If the customer is not a qualifying entity, the catered event is subject to sales and use tax in all cases including when the event is held at George Mason University.

How do I ensure my prepared food purchase is exempt from sales and use taxes?

For a purchase to be exempt from sales and use taxes, departments and other business units are encouraged to use their P-Card or eVA order (direct bill) for the purchase. The purchase is not exempt from sales and use taxes when payment is made using personal funds (cash, credit/debit).

What do I provide the Vendor?

Once you have determined that your group meal activity is exempt from sales and use taxes, you must provide the vendor with the Commonwealth of Virginia Sales and Use Tax Certificate of Exemption ([Form ST-12](#)). You may obtain the form from the Fiscal Services website and sign the form on behalf of the Director of Purchasing and Accounts Payable.

The bulletin references an April 22 effective date. Should we apply it retroactively?

No. Accounts Payable notified our current vendors about the new tax policy in May and started removing the sale tax and use tax from invoices beginning on June 1, 2016.

Please contact Quyen Le at extension 3-2656 (qle2@gmu.edu) or Yesica Suarez at extension 3-2670 (ysuarez@gmu.edu) with questions or concerns. For more information about the new tax policy, please see [Tax Bulletin 16-3 "Important Information Regarding Meals and Catering Purchased by Nonprofit Organizations, Churches, and Governmental Entities"](#)

F&B Sales Tax Guidance – Virginia ONLY (Sales tax applies outside of VA)				
		Tax Exempt?		
Category	General Notes	Personal Funds Used	P-Card	Direct Bill or eVA Order
Catered event on Campus – Including Sodexo	Must support the mission of the university and be essential to the operation of the university. Must be purchased for a group from an approved caterer	NO	YES	YES
Meals purchased when traveling (in Travel Status)	Restaurant or catered meals consumed by <u>individuals</u> while traveling for university business	NO	NO	NO
Business Meals purchased at restaurants when not traveling (not on Travel Status)	Business meals for a group that serve the university’s mission	NO	YES	YES
Prepared Meals purchased at Grocery Stores	Prepared meals (pre-made sandwiches, fried chicken, prepacked meals or side items from the Deli counter) purchased for later consumption by a group	NO	YES	YES
Non-Prepared food items purchased at Grocery Stores	Non-prepared food items (granola bars, bottled water, crackers, candy, etc.)	YES	YES	YES