Policy Overview

HUIT business managers are responsible for understanding the tax obligations that apply to their groups. Although the University is a non-profit organization, thus generally not subject to certain sales and income taxes, several HUIT service units have business models that require them to be concerned with tax regulations that govern non-profit institutions. Additionally, Harvard is required to comply with many other state and federal tax obligations.

Unrelated Business Income Tax

Income that Harvard derives from business not directly related to its tax exempt purpose of education and research is subject to unrelated business income tax (UBIT). Business managers should contact their Financial Partner when a potential UBIT-generating activity exists within an organization. The Financial Partner will act as liaison to University Tax Services.

State Sales Tax on Harvard Purchases

In general, Harvard is exempt from paying Massachusetts state sales tax on the goods and services it purchases. Harvard's purchases are also tax exempt in a number of other states if the goods and services purchased from out-of-state vendors for delivery and use in Massachusetts are used in the conduct of the University's exempt mission (education and research).

Departments that purchase goods or services from other states for use in that state should contact Strategic Procurement to see if the University is exempt from the sales tax.

Any vendor doing business with the University for the first time should request a copy of the University's Massachusetts Tax Exempt Certificate.
For questions in regards to state sales taxes on products and services, please contact HUIT Financial Services.

**Meals Tax**
The University is exempt from Mass Meals Tax if all of the following conditions are met:

- Meals are for students, employees or guests of the University.
- Meals are used in the conduct of the University's exempt enterprise (education and research).
- Outside caterer, restaurant or hotel bills the University directly.
- University pays the entire bill directly.
- No amount is paid by the consumers of the meal.
- Vendor takes from the University a properly completed Exempt Purchaser Certificate (Form ST-5) and keeps a record of the price of each separate sale, the name of the purchaser and the date of each separate sale.

Harvard employees, students and guests who purchase meals for themselves are not exempt from paying meals tax even if they incur the cost while conducting University business. Also, the University is not exempt from the room tax levied by hotels, motels and inns in Massachusetts or any other state or city that charges room tax.

**State Sales Tax on Harvard Sales**
Sales of products and services, including telecommunication services, by Harvard business units to individuals or organizations outside of the University may be taxable if the purchaser does not have a tax exempt status. Depending on the state the customer resides in and the type of goods or services sold, Harvard may also be required to collect and pay sales tax on sales occurring outside Massachusetts. If the customer is an exempt organization, a completed exemption certificate from the customer must be received at the point of ordering the goods or services and must be retained by the business in order for the transaction to be sold tax-free. The business unit should keep the exemption certificate on file for support in case of a sales tax audit by the Massachusetts Department of Revenue.

**Calculation and Deposits**
In general, business units are required to collect Massachusetts sales tax equivalent to 6.25% of the sale price of certain goods and services sold to non-tax-exempt customers. Any business unit required to collect sales tax should notify HUIT Accounting Services for assistance in charging, collecting, depositing and reporting sales tax.

HUIT Accounting Services is responsible for depositing the receipts into Harvard bank accounts and retaining the bank deposit receipts. Additionally, on a monthly basis, HUIT Accounting Services forwards all bank deposit receipts along with a completed Massachusetts Taxable Sales Deposit form to University Cash Management for the month in which the sales were made.

**Filing and Reporting**
After each month-end close, using the information provided by Cash Management, Tax Services calculates the sales tax for that month and remits the tax for the entire University to the Massachusetts Department of Revenue.

**Taxes on Communications Services**
Vendors that provide communication services, including long distance telephone usage and billable cell phone usage, are required to charge customers a Federal Universal Service Fund (FUSF) fee governed by the Federal Communications Commission (FCC). Although the FUSF fee, which is computed as a percentage of usage expense, is not defined as a tax by the IRS, it is
required to be paid. Very often the communications vendor will report FUSF on the customer’s invoice as “other taxes” or “other charges and credits.”

HUIT businesses are responsible for understanding their communications invoices and paying the appropriate FUSF fees to the vendor. HUIT Telecommunication is responsible for collecting and paying all FUSF fees on behalf of its internal and external customers.

Taxes on Select Employee Benefits
The IRS has become interested in regularly monitoring employee benefits provided by employers. Following are two University employee benefits where taxes may or may not be incurred depending on the circumstances. HUIT managers or employees are encouraged to discuss with HUIT Human Resources any questions they may have regarding the taxability of achievement or educational related employee benefits prior to incurring the cost.

Achievement Awards and Gifts
Achievement Awards include the value of any tangible personal property the University gives to an employee as an award for either length of service or safety achievements. Achievement Awards may be excluded from employees' income when they are within the University and IRS guidelines. See Use of Dept Funds policy further information.

HUIT Educational Reimbursement Program
The University’s Tuition Assistance Plan (TAP) is a Harvard employee benefit that provides a wide variety of opportunities for staff members to further their self-development through education. In general, Federal and Massachusetts State regulations offer an annual exemption amount of up to $5,250 for this employee benefit. Many factors are evaluated when computing the annual exemption limit.

HUIT is not required to reimburse the employee for amounts spent over the $5,250 exemption. If what was paid on behalf of the employee is above the $5,250 threshold, the employee will owe income taxes when their individual tax returns are filed.

Other Taxes
Harvard business managers should also be aware of the following other tax policies.

Expense Reimbursement over 60 days
Any claim for expense reimbursement submitted more than 90 days after the completion of the trip or event will be considered taxable income to the employee and will not be grossed up. Please refer to the HUIT 60-Day Reimbursement Policy for further details.

Charitable Contributions
University departments may make charitable contributions to other organizations that are exempt under Section 501(c)(3) of the Internal Revenue Code. The University may also be able to deduct this charitable contribution on its tax return thus reducing any federal and state corporate taxes owed for the year in which the contribution is made.

HUIT groups who would like to make a charitable contribution to another exempt organization should contact HUIT Accounting Services, who will advise them on the processing of the expense transaction. HUIT Accounting Services will also forward to University’s Tax Services both the acknowledgement letter received and any related documentation showing that the recipient organization is exempt under Section 501(c)(3).

Automobile Excise Tax
On an annual basis, automobile excise tax is levied and charged to the vehicle owner by the city or town where the vehicle is principally garaged. As a tax-exempt organization, the University
Tax Policy

does not pay excise tax on vehicles it owns. However, the University pays for excise tax on all vehicles it leases. The cost of the excise tax is prorated and built into the lease rate.

For More Information
Please contact your Financial Partner if you have any questions or concerns.