



## *Texas Sales Tax*

# Frequently Asked Questions

## Purchases/Use Tax

1. What "purchases" are subject to use tax?
2. What is the tax rate for use tax?
3. Do I owe tax on goods purchased via mail-order catalogs or Internet merchandise?
4. How do I report a use tax liability?

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### 1. What "purchases" are subject to use tax?

A purchase may be subject to use tax for a number of reasons. The most common reasons are:

- You used property purchased with a resale certificate. If you use a resale certificate to purchase merchandise that you intend to resell, your supplier will not collect sales tax. However, if you use the merchandise for another purpose before you resell it, you are liable for use tax. (Using merchandise for display or demonstration purposes before the property is sold is not subject to use tax. But, providing free samples to customers is a use and you would owe tax on the amount you paid for the samples.)
- You used property purchased with an exemption certificate. If you use an exemption certificate to purchase taxable items, your supplier will not collect sales tax. However, if you use the merchandise or service for a non-exempt purpose, you are liable for use tax. (Purchasing manufacturing equipment but using it to perform contractor work is a non-exempt use.)
- You used property purchased from an out-of-state retailer. In general, if you purchase a taxable item from an out-of-state retailer without paying Texas tax and use the property in Texas the purchase is subject to use tax and must be reported. If you paid Texas use tax to such a retailer, you are not required to report the tax. That retailer must provide you with a receipt showing, among other things, the amount of use tax collected. You should retain a copy of the receipt showing you paid Texas tax.

### 2. What is the tax rate for use tax?

The tax rate for sales tax and for use tax is the same. The Texas state sales and use tax is 6.25%, but local taxing jurisdictions (cities, counties, special purpose districts, and transit authorities) may also impose sales and use tax up to 2% for a total maximum combined rate of 8.25%. If you purchase a taxable item, you will have to pay state and local use taxes. For information about the tax rate for a specific area, see Local Sales and Use Tax Rate Information.

### 3. Do I owe tax on goods purchased via mail-order catalogs or Internet merchandise?

Yes. A seller who uses catalogs or the Internet to sell goods is treated the same as any other seller of taxable items. If you purchase merchandise through a catalog or the Internet from a seller located in Texas, you owe Texas sales tax on the purchase. If you purchase merchandise through a catalog

or the Internet from a seller located outside of Texas and use the taxable item in Texas, then you owe Texas use tax on the purchase. An out-of-state mail-order company or an Internet company may hold a Texas Sales and Use tax permit and collect Texas tax. If the out-of-state seller does not have a Texas permit or does not collect Texas use tax, the use tax is due and payable by the purchaser.

#### **4. How do I report a use tax liability?**

If you have a sales tax permit and bought goods or services that are subject to use tax, you must report your purchase on your Texas sales tax return on line 3, "taxable purchases."

If you do not hold a Texas sales and use tax permit and you bought items on which the seller did not collect Texas sales or use tax, you must report your purchases on form 01-156, Texas Use Tax. If you paid another state's sales or use tax on the merchandise, you can take a credit for the amount of sales tax paid to the other state.