



Home-Based Business

Missouri Sales Tax

Questions and Answers

Missouri law requires anyone who makes retail sales of tangible personal property to collect applicable state and local sales taxes. This will affect you in the conduct of a home-based business. Following are some of the most commonly asked questions concerning sales tax.

Who has to pay sales tax?

Except for motor vehicles, Missouri sales tax is imposed upon the seller of tangible personal property at retail. This means that you — not the buyer — will be responsible for seeing to it that sales tax is paid on all non-exempt sales and properly remitted to the Department of Revenue. To do so, you must obtain and display a retail sales license from the Missouri Department of Revenue, Business Tax Bureau, P.O. Box 840, Jefferson City, MO 65105. Note that wholesale sales are not subject to retail sales by the maker. Sales tax is paid by the consumer of the goods, not by the maker. The seller is re-

quired to collect these taxes for the state.

If I make only occasional sales of items that I produce in my home-based business, am I still subject to Missouri sales tax?

There is no sales tax on isolated or occasional sales unless the amount of the sales exceed \$3,000 in any calendar year. The determining factor, however, is not the total amount of sales but whether the person is engaged in a business. If so, then all sales - regardless of frequency or amount - are subject to sales tax. Whether you are engaged in business depends upon such factors as regularity and number of sales in a period, duration of the sales activity itself and the nature of the property being sold. It also depends on such factors as holding yourself out as being engaged in business, such as through advertising or solicitation for business. Generally, products specifically produced

at home for sale to others will constitute a business and will be subject to sales tax. In fact, the Missouri Department of Revenue has specifically ruled that a person who goes to flea markets, arts and crafts festivals and neighborhood affairs to sell crafts is subject to sales tax on all sales. An example of a legitimate isolated sale would be the sale of a saw that had been used in a home-based business for production.

Are there any exceptions?

There are many sales tax exemptions. Those most commonly encountered by a home-based business would be sales by the elderly, sales for resale and interstate sales.

Sales of handicraft items made by the seller are not subject to sales tax if either the seller or his or her spouse is at least 65 and if the total gross proceeds from the sales do not constitute a majority of the annual gross income of the seller. However, the seller must

file a notarized affidavit supplied by the Department of Revenue in order to receive an exemption certificate. Furthermore, because no sales tax will be collected at the time of sale, anyone with the exemption must pay sales tax on all purchases of supplies that go into the handicraft items.

Because the sales tax is only imposed upon the final consumer, intermediate sales, such as of inventory or ingredients of the product, are not subject to sales tax. Therefore, if someone buys from you for the purpose of reselling your product, you are not required to charge them sales tax if they furnish you with a signed resale exemption certificate. Once you have a certificate on file for someone, you must retain it in your files, but you need not obtain a new one for subsequent sales, although you must require signatures on each purchase invoice or some form of written acknowledgement that the purchase is being made under the original certificate. Resale exemption certificates are available from the Department of Revenue.

Remember it is not enough to acquire only the Missouri sales tax number of a purchaser or a letter stating that the

purchaser will be responsible for the sales tax. If you buy items that become ingredients or component parts of what you make, you should furnish a resale exemption certificate to your seller.

Sales to buyers in other states are not subject to Missouri sales tax if title to the property passes at the buyer's location rather than at the seller's. This generally means that items ordered from another state and shipped to the buyer there will be exempt. Any purchase actually made in Missouri is subject to sales tax even if the product is shipped out of state. However, shipping and handling charges paid by the buyer will also be subject to sales tax if title passes at the buyer's location, so there may be additional amounts to include for sales tax on sales in Missouri.

What are "ingredients" or "component parts?"

These are things that are bought specifically to become part of whatever you produce. The item must actually become part of the final product. Things that are used up or consumed as part of the production process but not physically incorporated into the product do not qualify. Nor do

such things as tools used for production or office equipment and supplies qualify. For example, paint bought to decorate a product would qualify; paint thinner bought for cleaning brushes would not.

May I just absorb the sales tax myself so that I won't have to charge it?

No. Missouri law prohibits such practices and requires the sales tax to be separately stated.

How do I handle refunds I make to customers?

Any refund must include a refund of the sales tax paid by the customer. A deduction is then permitted for the refunded purchase price on the seller's next sales tax return.

Missouri has lots of local sales taxes. How do I know which one to charge?

You must charge the sales tax in effect where the sale is made. This is always considered to be the location of the seller. If you have your place of business in a locale with a local sales tax, you must collect such tax on all sales that are subject to sales tax, even if delivery is made outside the area.

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