

Vermont Department of Taxes

TAX: SALES AND USE TAX TB - 26

**SUBJECT: Temporary Exemption for computers
August 9 – 11, 2003**

2003 Act 67 §25 Issued: June 19, 2003

Personal computers purchased by individuals for personal use are exempt from Vermont sales tax and from the local option sales tax for a three-day period August 9 through August 11, 2003.

Computers and components qualifying for the exemption

The exemption is available for new or used single-processor desktop, laptop or notebook computers selling for \$4,000 or less.

When a separate charge is made for a monitor, keyboard, mouse or similar pointing device, operating system software, or software installed by the original equipment manufacturer (OEM), these items are exempt if the CPU is also purchased during the three-day period and the total charge, including the CPU, is not over \$4,000.

Products not exempt

The exemption **does not** apply to handheld devices such as iPAQ, Palm or other pocket PC devices; tablet PC's; software products not OEM installed (except operating systems); or to peripheral devices such as printers, scanners, multifunctional office machines, digital cameras, web cams, storage devices, network switches, routers, adapters, cables, game controllers, or surge protection or uninterrupted power supply devices. Tax must be collected on charges made for these items.

Bundled products

When a computer and other merchandise to be used with the computer are offered for sale at a single, unitemized price the entire package is exempt if (1) the package is sold for \$4,000 or less and (2) the most common selling price of items that would be taxed if charged separately is not more than \$ 250 or 15% of the selling price of the package, whichever is greater. For example, a package including a CPU, keyboard, monitor, mouse, and printer would qualify for the exemption unless the most common selling price of the printer is more than \$250 or more than 15% of the price of the package.

Purchasers qualifying for the exemption

The exemption is available to individuals buying for personal use. Purchases by corporations or other businesses and purchases by individuals for business use remain taxable. An individual purchasing a computer partly for personal use and partly for business may buy tax-free if the intended personal use is at least 75% of the total use of the computer.

Documentation of the exemption

No additional documentation will be required in most cases. Normal business records showing the name and address of the purchaser, date of sale, items purchased and selling price must be kept. A seller is not required to verify that a purchase by an individual is for personal use and may sell tax-free unless purchaser uses a business name or d/b/a, the computer is installed at a business site, or other circumstances of the sale make it clear that the purchase is not for personal use.

Determining when a sale is made

The exemption applies if an order is accepted during the three-day period, even if the computer is delivered after the tax holiday period has ended provided that the purchaser has either paid a deposit at the time of the order or has authorized the seller to charge a credit card or other account when the computer becomes available.

"Rain checks" and similar programs where a purchaser receives only the right to buy at a later date **do not** come under this rule. The computer must be ordered during the holiday period.

Refunds to purchasers

An individual may apply to the department of taxes for a refund of tax paid on a personal computer for personal use during the holiday period. A refund is available for tax collected in error by the seller or for tax paid on a monitor, mouse, keyboard, or operating system software when these components and the CPU are purchased during the holiday period from different sellers.

Persons with questions regarding the sales tax holiday for computers may telephone Taxpayer Services at (802) 828-2551, email to bustax@tax.state.vt.us, or write to the Department at 109 State Street, Montpelier, Vt. 05609-1401.

George H. Phillips
Policy Analyst

Approved by:

Richard W. Mallery
Commissioner of Taxes