



## Sales Tax Holiday/Tax-Free Weekend

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## Sales Tax Holiday

**Aug. 9 - 11, 2013**

The recent passage of Senate Bill 485 (83rd Regular Legislative Session, 2013) changes the dates of the this year's annual Sales Tax Holiday to Aug. 9-11, a week earlier than previously scheduled. The change in law became effective immediately. As in previous years, the law exempts most clothing, footwear, school supplies and backpacks priced under \$100 from sales and use taxes, which could save shoppers about \$8 on every \$100 they spend.

Subject to the criteria explained below, all sales of qualifying items made during the holiday period qualify for the exemption, including items sold online, or by telephone or mail. Lay-away plans can be used again this year to take advantage of the sales tax holiday.

The dates for the sales tax holiday are set by the Legislature.

### **The "Fine Print" – important information you should know about this tax-saving event**

#### **Clothing and Footwear**

Retailers are not required to collect state and local sales or use tax on most footwear and clothing that are sold for less than \$100 during the holiday. Exemption certificates are not required. The exemption applies to each eligible item that sells for less than \$100, regardless of how many items are sold on the same invoice to a customer. For example, if a customer purchases two shirts for \$80 each, then both items qualify for the exemption, even though the customer's total purchase price (\$160) exceeds \$99.99.

The exemption does not apply to the first \$99.99 of an otherwise eligible item that sells for more than \$99.99. For

example, if a customer purchases a pair of pants that costs \$110, then sales tax is due on the entire \$110.

The exemption also does not apply to sales of special clothing or footwear that the manufacturer primarily designed for athletic activity or protective use and that is not normally worn except when used for the athletic activity or protective use for which the manufacturer designed the article. For example, golf cleats and football pads are primarily designed for athletic activity or protective use and are not normally worn except for those purposes; they do not qualify for the exemption. Tennis shoes, jogging suits and swimsuits, however, are commonly worn for purposes other than athletic activity and thus qualify for the exemption.

The sales tax holiday exemption does not extend to rental of clothing or footwear; nor does it apply to alteration (including embroidery) or cleaning services performed on clothes and shoes. Additionally, tax is **due** on sales of accessories, including jewelry, handbags, purses, briefcases, luggage, umbrellas, wallets, watches and similar items.

### **Backpacks**

Backpacks priced under \$100 sold for use by elementary and secondary students are exempt during the sales tax holiday. A backpack is a pack with straps one wears on the back. The exemption includes backpacks with wheels, provided they can also be worn on the back like a traditional backpack, and messenger bags.

The exemption does not include items that are reasonably defined as luggage, briefcases, athletic/duffle/gym bags, computer bags, purses or framed backpacks. Ten or fewer backpacks can be purchased tax-free at one time without providing an exemption certificate to the seller.

### **School Supplies**

Texas families also get a sales tax break on most school supplies priced at less than \$100 purchased for use by a student in an elementary or secondary school.

### **Purchases of School Supplies Using a Business Account**

Persons buying qualifying school supplies during the holiday are not required to provide an exemption certificate – with one exception. If the purchaser is buying the items under a business account, the retailer must obtain an exemption certificate from the purchaser certifying that the items are purchased for use by an elementary or secondary school student. "Under a business account" means the purchaser is using a business credit card or business check rather than a personal credit card or personal check; being billed under a business account maintained at the retailer; or is using a business membership at a retailer that is membership based.

### **Layaways and Rainchecks**

#### **Layaways**

A sale of a qualifying item under a layaway plan qualifies for exemption if the customer places the qualifying merchandise on layaway during the holiday or makes the final payment during the holiday. See Rule 3.365(i).

#### **Rainchecks**

Eligible items that customers purchase during the holiday with use of a rain check qualify for the exemption regardless of when the rain check was issued. However, issuance of a rain check by a seller during the holiday period will not qualify an eligible item for the exemption if the item is actually purchased after the holiday is over even if the rain check is presented at the time of purchase. See Rule 3.365(j).

### **Prohibited Advertising**

***A word of caution:*** If you sell items that do not qualify for the exemption, you may not advertise or promise that you will pay your customers' sales tax. You are prohibited from advertising that you will not collect sales tax on items that do not qualify, but you may advertise that tax is included in the sales price of the taxable items that you sell. See Tax Code Section 151.704 for more information.

### **Reporting Requirements for Sellers**

For information on how to report tax on these sales, please visit [Reporting Sales Tax on Tax-Free Items](#).