June 2011

Sales Tax & the Ultimate Child’s Birthday Party

If we all lived in a castle, we might throw our children a party that looks something like the following. But even the king of the castle has to pay sales tax. If you were the king’s advisor, what would your advice be? The queen begins by inviting 35 of the Princess’s closest friends over for a pool party or should I say “moat party”.

Would you tell the king to pay sales tax on the following items/services?

1) A babysitter will come over and help watch the kids. If king had his choice he would have her bring her 4 sisters, so as not to feel badly outnumbered by 35 three-year-olds.
2) For additional support he has also hired a waitress to help setup and cleanup.
3) Since the king actually wants to see his fellow nobles, he has ordered 12 feet of hero sandwiches rather than barbequing.
4) The kids need something to do, so there will be a pony (with a handler) so all the little girls can go on pony rides.
5) Did I mention there is a moat? Well the king needs to hire a lifeguard to help keep everyone safe.
6) Also, the moat service company is coming over just to hire a lifeguard to help keep everyone safe.
7) Did I mention the bounce house the king rented…?
8) Several cases of ale for the dads.
9) And a bottle of aspirin for the king!

Please don’t answer to pay everyone in cash so the king doesn’t have to worry about sales tax, that’s not the best answer.

• Babysitting and waitress services are not subject to sales tax.
• The purchase of prepared food, the hero, is subject to sales tax.
• Pony rides are not subject to tax.
• Lifeguard services, pool maintenance, and the rental of the bounce house are all taxable.
• And while I would argue that both the ale and aspirin are medically necessary and therefore not subject to sales tax, I suspect that the tax auditor would disagree about the ale.

And you thought that with a party atmosphere you didn’t need to think about sales tax. Please don’t take this newsletter as tax advice on any specific service or transaction. Rather, take it as a gentle reminder on how far reaching and confusing sales tax can be, and that you should always get competent tax advice for any complex situation.

As a reminder, our new phone # is 631-491-1500!