

# OHIO AUDITOR OF STATE KEITH FABER



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Auditor of State  
Bulletin 2025-013

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**DATE ISSUED:** October 16, 2025

**TO:** All Public Offices  
Community Schools  
Independent Public Accountants

**FROM:** Keith Faber  
Ohio Auditor of State

**SUBJECT:** Reimbursement of Sales Tax by Tax-Exempt Public Offices

## **Bulletin Purpose**

This Bulletin will provide guidance to public offices that are exempt from the payment of Ohio's retail sales tax about reimbursing their officials and/or employees when those individuals have made lawful expenditures on behalf of the public office using their own personal credit card or checking account.<sup>1</sup>

## **Implementation Date**

Upon issuance

## **Background**

Ohio Rev. Code § 5739.02(A) imposes an excise tax, commonly referred to as a sales tax, on each retail sale made in the State of Ohio. Rev. Code § 5739.02(B)(1) provides that the State and

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<sup>1</sup> The guidance contained in this Bulletin is limited in application to a tax-exempt public office's reimbursement of sales tax to its officers and employees and does not address independent contractors or agency relationships. *See, Cincinnati Golf Mgt. Inc. v. Testa*, (2012) 132 Ohio St. 3d 299 ("A sale is a sale to a political subdivision under R.C. 5739.02(B)(1) only if the political subdivision is in actuality the purchaser that is consummating the sale by means of its agent—with the [political subdivision] thereby assuming and bearing the primary and essential liability to the vendor (rather than the agent doing so).").

any of its political subdivisions are exempt from this excise tax.<sup>2</sup> Additionally, Ohio Rev. Code § 5739.02(B)(12) provides a similar sales tax exemption to organizations that are exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1986. Accordingly, many entities that are audited by this Office are exempt from the payment of Ohio's retail sales tax. For purposes of this bulletin, these entities are referred to as "tax-exempt public offices."<sup>3</sup>

### **Tax Exemption Requirements**

The Ohio Department of Taxation has issued guidance regarding the use of the sales tax exemption. That guidance provides the exemption is not transferable to an individual employee of the tax-exempt entity. Rather, the exemption applies only when the sale is made to and paid for by the tax-exempt organization.<sup>4</sup> Therefore, purchases "of tangible personal property and selected services made by federal, state, and local governmental employees (who will later seek reimbursement from their government employer) are subject to the Ohio sales or use tax, since the employee is considered the purchaser *not* the government."<sup>5</sup> The Tax Commissioner has further advised "if an individual makes a purchase by check or credit card that is solely in the name of the individual and does not clearly indicate the exempt organization's name on the check or credit card, the individual has not shown that the purchase is by the exempt organization, and accordingly any applicable tax must be charged."<sup>6</sup>

In accordance with this guidance, if an official or employee of a tax-exempt public office uses his or her own personal credit card or checking account to make purchases on behalf of the public entity, that person must pay sales tax and cannot use the public entity's tax-exempt certificate. In contrast, purchases directly made by and charged to a tax-exempt public office are considered sales to the public office and are not subject to Ohio sales tax even though the goods or services are picked-up by an employee of the public office.<sup>7</sup> In these instances, the invoice or bill of sale must clearly indicate the sale was to the tax-exempt public office and the public office's credit card or account must be charged.

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<sup>2</sup> "Political subdivision," while not expressly defined in Ohio Revised Code Chapter 5739, has been generally understood by Ohio courts to include municipal corporations, townships, counties, school districts, or other bodies corporate and politic responsible for governmental activities in a geographic area smaller than that of the state.

<sup>3</sup> Generally, a consumer claiming an exemption is required to provide a vendor with a certificate of exemption. However, a certificate need not be obtained or provided under certain circumstances, including when the sale is claimed to be exempt under Ohio Rev. Code 5739.02(B)(1) as a sale to the State or any of its political subdivisions. R.C. § 5739.03(B)(1)(a).

<sup>4</sup> See Ohio Dept. of Taxation, Tax Commissioner's Opinion No. 05-0008 Sales to Exempt Organizations (2006). [ODT Opinion 05-0008](#)

<sup>5</sup> See Ohio Dept. of Taxation, ST 1999-03 - Purchases by Government Employees – Revised January, 1999. [ODT ST 1999-03](#) (emphasis in original).

<sup>6</sup> See footnote 4.

<sup>7</sup> See footnote 5.

### **Guidance on Reimbursement Policies**

Tax-exempt public offices should adopt a written policy on the use of the entity's tax-exempt certificate and when an official or employee is allowed to pay sales tax the public office will reimburse. The policy should:

- Require that all expenditures are made pursuant to a proper government purpose;
- Limit the number of officials and employees who have access to the public office's tax-exempt certificate;
- Prohibit an official or employee who makes a purchase for the tax-exempt public office using his or her personal credit card or checking account from presenting the entity's tax-exempt certificate;
- Require an official or employee who makes a purchase on behalf of the public office using his or her own personal credit card or checking account to pay the sales tax at the point of sale; and
- Ensure that direct purchases made on the public office account include an invoice or bill of sale clearly indicating the sale was to the public office.

As a best practice, the tax-exempt public office should consider adopting a policy provision that sets a reasonable, maximum dollar threshold, such as \$500.00, for reimbursable purchases that an official or employee may make using their own personal credit card or checking account. The provision should state that in the event the combined purchase price and sales tax exceed this threshold amount, the purchase must be made using the public office's credit card or account and sales tax exemption. By implementing a reasonable threshold amount for purchases that may be made using an official or employee's personal account, tax-exempt entities can eliminate waste that results when unnecessary sales tax is paid that would not otherwise be due had the purchase been made directly with the entity's account.

If a tax-exempt public office sees that sales tax was incorrectly charged when the tax-exempt public office's credit card or account was directly charged, fiscal officers should endeavor to recover the sales tax collected at the point of sale. Forms to receive a refund of erroneously collected sales tax are available on the Ohio Department of Taxation's website. Specifically, the "Sales/Use Tax Application for Refund" ("STAR") can be found at [ODT STAR Form](#). The applicant is required to state the full and complete reasons for the refund request and must include supporting documentation with the application. The application can be submitted electronically or mailed to the Ohio Department of Taxation.

Finally, the failure to adhere to reimbursement policy guidance concerning the use of the entity's tax-exempt status or reimbursement for expenditures could result in the issuance of a Finding for Recovery or other implications authorized under Ohio law. For example, a Finding for Recovery

for public money due but not collected may be issued when a fiscal officer fails to take steps to recover sales tax that was erroneously paid by the tax-exempt public office on purchases made using the public office's credit card or account.

### **Examples of Sales Tax Applicability to Purchases Made on Behalf of Tax-Exempt Public Offices**

- A city employee who purchases office supplies for the mayor's office using her personal credit card must pay sales tax on these expenditures. The city may reimburse the employee for the full purchase price, including the sales tax, in accordance with a properly authorized city policy that authorizes reimbursement of sales tax under these circumstances.
- A county employee who purchases printers for a county office using the county's credit card should not pay sales tax on the purchase. The purchase is made by and charged to the tax-exempt public office and is therefore tax exempt pursuant to Ohio Rev. Code § 5739.02(B)(1). The invoice or bill of sale should clearly indicate the sale was made to the county.

### **Questions**

If you have any questions regarding the information presented in this Bulletin, please contact the AOS Center for Audit Excellence at (800) 282-0370 or [ContactUs@ohioauditor.gov](mailto:ContactUs@ohioauditor.gov).



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