Section 04.08.02
PURCHASE VOUCHERS

General Discussion

State agency personnel are responsible for reviewing each purchase voucher/vendor payment request for accuracy and completeness. The following guidelines must be followed to ensure the prompt and accurate processing of vouchers/payment requests:

- Purchases and the resulting payments must be made in accordance with the Texas and United States Constitutions, applicable state and federal statutes and regulations, the State Comptroller’s rules, A&M System policies and regulations, and A&M System Member rules, where applicable.

- A purchase voucher must contain accurate data and a complete and accurate description of the goods or services being purchased.

- Documentation must be maintained to support the legality of a payment or to accurately describe the goods or services being purchased. Vendor certification is acceptable in lieu of supporting documentation in certain circumstances. In the case of contracts, a copy of the contract with the proper approval signatures should be attached to the purchase voucher. Having a contract does not exempt the purchase from the appropriate purchasing guidelines. **Contact the fiscal office for specific requirements regarding contracts.**

- The signatures on a “paper” purchase voucher must be original. The preparer and approver signatures must be identical to the signatures on the signature card.

- In those instances where the FAMIS Purchasing Module is used, A&M System Members must establish procedures to ensure that vendor payments are initiated and approved only by authorized individuals who have completed disbursement training. The names of individuals designated as creators, approvers and signers in the FAMIS Purchasing Module must be included on the department’s signature card.

- When the authority for a purchase is not obvious or self-evident, a citation of the relevant statutory authority must be included on the purchase voucher. Whenever a statement is required, the agency must ensure that the statement is true and complete. Such statements are vital to supporting the legality of payments.

- The processing of a voucher in error does not obligate the fiscal office to process all similar, subsequent vouchers. Each voucher must stand on its own merit. Therefore, the department should not assume that the processing of a particular voucher indicates the fiscal office’s decision to process all similar, subsequent vouchers.

**Items to be included on a purchase voucher/payment request:**
- Agency name;
- Agency number;
- Departmental reference number (where applicable);
- Agency voucher/reference number;
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* Taxpayer identification number (vendor identification number);
* Name and address of the vendor or payee;
* Invoice date;
* Order date;
* Date invoice was received;
* Paying account number(s);
* Agency object code;
* Requisition or purchase order number (where applicable);
* Payee reference number (i.e., invoice number, etc.);
* Customer accounts receivable number;
* Delivery date of goods or services;
* Description of goods or services;
* Payment amount; and
* Agency approval.

Invoices/Receipts

Except for those instances where advance payment is specifically authorized by statute, payment must be made only after authorized personnel have certified that the goods or services for which payment is being made have been received. Original invoices/receipts are required to process a purchase voucher/payment request. Carbonless copies of original invoices retained by the vendor are also acceptable. If the original invoice/receipt is not available, a statement must be included on the purchase voucher/payment request stating that the original invoice is not available. However, it is the department’s responsibility to confirm that this is not a duplicate payment by following through with the appropriate and necessary research to determine whether prior payment has been made to the vendor on this invoice. When a vendor claim is not supported by an adequate invoice, the vendor will be required to complete the vendor certification section of the purchase voucher/payment request.

Required State Documentation

The State Comptroller’s Office requires that documentation be made available during a Post Payment Audit that shows that payment made on a purchase voucher does not exceed the agreed upon purchase price. Therefore, written documentation of prices, such as phone or written price quotes, copies of catalog items, or internal order forms must be maintained and readily available. Written documentation should include the order date, quantity and price of goods purchased.

Spot purchases do not require this additional documentation. However, “Spot Purchase” should be prominently displayed on the purchase voucher. For on-line vouchers, this notation should be made in the document notes or description. A spot purchase has been defined by the State Comptroller’s Office as a purchase made and picked up directly at the vendor’s establishment.

State of Texas Prompt Payment Law

State of Texas Prompt Payment Law requires a state agency to make payment to the vendor by the 30th calendar day after the latest of the following:

* The day the agency received the goods; or
* The day the vendor completed performing its services for the agency; or
* The day the agency received the invoice for the goods and services.
If a state agency does not mail or electronically transmit a payment to a vendor or the vendor’s financial institution by the applicable due date, the agency is liable to the vendor for interest as follows:

1. Beginning on the day after the payment is due, interest accrues on the unpaid balance at the rate of 1.0% per month. The interest ceases to accrue on the date the state agency mails or electronically transmits the payment to the vendor or the vendor’s financial institution.

2. The State Comptroller’s Office and A&M System Member fiscal offices’ automatically compute and pay interest owed to vendors for late payments that are covered by the prompt payment law. The prompt payment law applies to payments for most goods and services regardless of the source of funds used to make the payments. However, past due vendor payments made from institutional funds will not incur interest charges for any item where the calculated interest is equal to or less than $5.00. If the department requests that prompt payment interest not be paid, facts to substantiate the request must be included and clearly identified in the supporting documents submitted with the purchase voucher. Interest cannot be refused if inadequate documentation is provided.

3. Payments that become overdue on or after September 1, 2004, will accrue interest at the rate in effect on September 1 of the fiscal year in which the payment originally becomes overdue. The rate in effect on September 1 is equal to the sum of one percent plus the prime rate as published in the Wall Street Journal on the first business day in July of the preceding fiscal year.

Exceptions to prompt payment rules exist where:

1. There is a bona fide dispute between the agency and a vendor, contractor, subcontractor, or supplier about the goods delivered or the services performed that causes the payment to be late.

2. There is a bona fide dispute between a vendor and a subcontractor, or between a subcontractor and its supplier, about the goods delivered or the services performed that causes the payment to be late.

3. The terms of a federal contract, grant, regulation or statute prevents the agency from making a timely payment with federal funds.

4. The invoice is not mailed to the person to whom it is addressed in strict accordance with any instructions on the purchase order relating to the payment.

Disputed Payments

An agency must notify a vendor of an error on the invoice no later than 21 days after the state agency receives the invoice. It is critical that all details regarding a dispute with a vendor concerning an invoice or the goods/services received be fully documented. The documentation should include the nature of the dispute, the dates surrounding the dispute, dates and explicit details of any communications with the vendor concerning the dispute as well as the names of individuals involved in the communications, and when and in whose favor the dispute was resolved.

If a dispute is resolved in the vendor’s favor, the vendor is entitled to receive interest on the unpaid balance of the invoice. This interest must be calculated from the original due date of the payment, as if no dispute ever existed.

If a dispute is resolved in the state agency’s favor, the vendor must submit a corrected invoice. If they choose not to submit a corrected invoice and request that payment be made from the original with proper adjustments, then
this must be documented. The unpaid balance accrues interest if the corrected invoice is not paid by the appropriate date.

**Vendor Information**

To process a payment to a vendor, the vendor must be established with a vendor identification number in the accounting system. When using state funds, the vendor must also be established in the State’s accounting system, Uniform Statewide Accounting System (USAS). To be in compliance with IRS regulations, Member fiscal offices should require all companies and individuals who are not employees or students to have a W-9 form on file with the fiscal office prior to payment. The System Administrative and General Offices (SAGO) has developed a Substitute W-9 that can be used to gather the relevant information. The form is located on the web at [http://www.tamus.edu/offices/budgets-acct/documents/SubstituteW9.pdf](http://www.tamus.edu/offices/budgets-acct/documents/SubstituteW9.pdf). If your fiscal office has created a separate form, please contact them directly for a copy.

**Vendor and Employee Payments**

All vendors and employees should be encouraged to use direct deposit. Once established, payments will be sent directly to their bank account by electronic transfer/ACH. Once payment is released, the reimbursement will be in the specified bank account within two business days.

**Contract Workforce**

Beginning September 1, 1999, state agencies and institutions are required to track and report information on workforce contracts of $10,000 or more paid from state appropriated funds. For reporting purposes, contract worker is defined to mean an independent contractor, a temporary worker supplied by a staffing company, a contract company worker, or a consultant. These requirements also apply to interagency and intra-System contracts.

According to the General Appropriations Act (GAA), an agency or institution may not expend funds appropriated by the GAA for payment of a contract workforce under a contract that is executed, amended, or renewed after August 31, 2001, until the agency or institution:

1. Develops comprehensive policies and procedures for its contract workforce;

2. Examines the legal and personnel issues related to the use of a contract workforce;

3. Conducts a cost benefit analysis of its current contract workforce before hiring additional contract workers or amending or renewing existing contracts; and

4. Documents why and how the use of contract workers fits into agency staffing strategies, including consideration of agency mission, goals and objectives, existing and future employee skills needed, compensation costs, productivity, nature of services to be provided, and workload.

When contemplating the use of contract workers, the department should contact the fiscal office for additional information on Member specific guidelines. Member guidelines will supplement Texas A&M University System Regulation 33.99.16 – Contract Workforce, located at [http://www.tamus.edu/offices/policy/policies/systemrules/33-99-16-s1.html](http://www.tamus.edu/offices/policy/policies/systemrules/33-99-16-s1.html).
Contract Approval

All contracts, regardless of amount, negotiated by any A&M System Member must be reviewed by the A&M System Office of General Counsel before they may be fully executed. Purchases to be made through a contract that will exceed the delegated dollar limit must follow purchasing guidelines and will require a requisition or Request for Proposal prior to any contracting activity. Guidelines on delegated authority can be found in System Regulation 25.07.01, located at http://www.tamus.edu/offices/policy/policies/pdf/25-07-01.pdf. In addition, each A&M System Member has adopted specific contract delegation limits. Please contact your fiscal office for additional information.

Contract Reporting Requirements

Legislative Budget Board (LBB) contract reporting guidelines require that state agencies and institutions of higher education report contracts that exceed certain dollar limits to the LBB within 10 days of execution (including an amendment, notification, renewal, or extension). In most instances, this reporting requirement applies to all funding sources. Contracts to be reported are categorized into five categories: major information systems (more than $100,000), construction projects (more than $14,000), professional services (more than $14,000), consulting services (more than $14,000), or other (more than $50,000). The “other” category applies only to contracts funded in whole or in part with state appropriations. Contracts that fall into the “other” category do not include purchase orders, interagency contracts, medical or optometric services, or contracts paid only with non-appropriated funds. LBB interpretation requires agencies to report any major information system contracts that are valued between $50,000 and $99,999 and funded in whole or part with state funds as “other” contracts.

Advance Payments

A state agency may not pay for goods or services before their delivery to the agency, except:

* A state agency may pay for goods or services before their delivery to the agency if there is legitimate public purpose for making the payment in advance.

* A state agency may use money appropriated for a particular fiscal year to pay for a utility service provided during that fiscal year and September of the next fiscal year.

* A state agency may pay rent for leased space a maximum of seven days before the payment due date. A copy of the lease or rental agreement should be filed in the fiscal office’s contract files.

* A state agency may pay for a periodical subscription a maximum of six weeks before the renewal date.

* A state agency may pay a rental fee for a meeting room, exhibit booth, or registration fee in advance if there is a legitimate public purpose for making the advance payment. Examples of legitimate reasons include significant cost-savings or reserving a space when enrollment is limited.

* A state agency may process a purchase voucher/payment request for the purchase of real property anytime during the seven days before the closing date if the check/state warrant will be delivered to the seller no earlier than the closing date.
* A state agency may pay an annual maintenance agreement, an internet connection, a post office box rental, insurance, or a surety or honesty bond in advance, regardless of whether it covers more than one fiscal year.

* A state agency may make an advance payment to a federal agency or another state agency for goods purchased from the agency if the advance payment will expedite the delivery of the goods.

* A state agency may pay tuition directly to an institution of higher education no earlier than the 42nd day before the class begins. However, a state agency may not reimburse a state employee for tuition before the class begins.

* An institution of higher education may pay for books and other published library materials before receiving them if reasonably necessary for the efficient operation of the institution’s libraries.

* A state agency may make an advance payment if significant cost savings would result from making the payment in advance.

* A state agency may make an advance payment to a vendor who is selling specialized or proprietary goods or services to the agency if the vendor requires the payment be made in advance.

If your department must make an advance payment for a reason not listed above, contact the fiscal office for additional guidance on this issue. A state agency that makes an advance payment to a vendor is responsible for ensuring that the vendor provides the good or service, or for pursuing appropriate legal remedies to recover the payment if the vendor fails to provide the good or service.

The Texas Education Code specifically prohibits the use of Higher Education Funds (HEF) to pay for goods or services before their delivery.

**Advertising**

All state purchase vouchers must have the original tear sheet of the advertisement attached. This policy is also recommended for institutional purchase vouchers/payment requests. Types of advertising include, but are not limited to, newspapers, magazines, books, internet and radio.

**Aircraft Rental**

When a department submits a purchase voucher/payment request for the lease or rental of a non-System or non-Aircraft Pooling Board aircraft, the department must attach a copy of the Aircraft Operations-Texas Department of Transportation’s approval. It is suggested that departments contact the System Aircraft department for any aircraft leasing needs. If a System aircraft is unavailable, the System Aircraft department will coordinate with Aircraft Operations-Texas Department of Transportation to obtain advance approval for use of non-State aircraft. The System Aircraft department will obtain the appropriate approvals and forward to the requestor. All purchase vouchers/payment requests for aircraft rental must state the trip’s purpose and the agency’s compliance with permissible uses of aircraft.

An authorized state agency may spend state funds to lease or operate an aircraft only if:
The purpose of each flight of the aircraft is official state business;

Each passenger on each flight of the aircraft is a state officer or employee, a person in the care or custody of a state officer or employee, or a person whose transportation furthers the official state business purpose of the flight;

The destination of each flight of the aircraft is not served by a commercial airline, the time required to use a commercial airline interferes with other obligations, or the number of state officers and employees on each flight of the aircraft makes using the aircraft more cost effective than using a commercial airline;

The events attended by each passenger on each flight of the aircraft are not sponsored by a political party and are not for the promotion of a political party;

No passenger on any flight of the aircraft receives a fee or honorarium unless each passenger receiving a fee or honorarium reimburses the state for the passenger’s travel cost;

The business of each passenger on each flight of the aircraft does not involve raising money for private or political purposes; and

The business of each passenger on each flight of the aircraft does not involve the charging of a fee or an admission charge to see or hear a passenger.

Alcoholic Beverages

State funds may not be used to purchase alcohol or alcoholic beverages for personal consumption or entertainment. Funds appropriated by the General Appropriations Act may not be used to pay the salary of an employee who uses alcoholic beverages while on active duty. Active duty is considered to encompass the regular 40-hour work week. The following excerpt is from an August 29, 1995 Memorandum from the System Office of General Counsel:

It may be presumed that the underlying rationale behind the ban on consumption is that state employees will perform their official duties less effectively if they consume alcohol while doing so. If an employee of The Texas A&M University System is required by the System or one of its components to work at hours other than 8:00 a.m. to 5:00 p.m. as a regular part of their duties, the employee would only be affected by Article IX, Section 10 if he or she consumed alcohol while actively engaging in those activities that comprise the essential functions of their position. There does not appear to be any authority for the proposition that social and entertainment events are to be treated the same as teaching, research, service and administrative activities for this purpose.

With fiscal office approval, alcoholic beverages may be purchased using:

- Gift funds or other institutional funds as permitted by state law. (State laws prohibit the use of any funds under the control of an intercollegiate athletic department for purchase of alcoholic beverages.)
* Contract and grant funds for legitimate scholarly research and/or testing that requires the use of alcoholic beverages, if the guidelines stipulated in the grant or contract are followed.

* Participant registration fees for a conference or similar event if the alcohol is to be served as part of the event.

All alcohol purchases must be in support of events and activities that further the mission of the institution or agency, as determined by the Chief Executive Officer, approved by the Chancellor, and reported to the Board of Regents. Such events and activities, as well as locations, are confirmed annually by the Board of Regents.

Purchase vouchers/payment requests for purchase of alcoholic beverages must clearly show that alcohol was purchased.

**Alumni Activities**

State funds may not be used for the support or maintenance of alumni organizations or activities.

**Audits of State Agencies**

State funds may not be used to contract with a person or organization to audit the financial records or accounts of the agency. This prohibition does not apply to a contract with the state auditor. A state agency may use appropriated money to finance a supplemental audit of payments received from the federal government if the audit is required as a condition of receipt of the money and the federal grant, contract, allocation or aid contains funding for the audit. An institution of higher education may use institutional funds to pay for audits.

**Auxiliary Enterprises**

State funds may not be used for the support of auxiliary enterprises. An institution of higher education may purchase goods and services from its auxiliary enterprises, including bookstores, only if the institution treats the enterprise as it would any independent vendor or provider of goods and services. In other words, an institution of higher education may purchase goods and services from an auxiliary enterprise only if the purchase is advantageous to the institution, determined without considering the purchase’s effect on the enterprise.

**Charitable Organizations**

A state agency may not provide money, goods or services to a charitable organization unless:

* the agency has specific or implied statutory authority to provide it; and
* providing it would serve a public purpose; and
* the agency would receive adequate consideration for it; and
* the agency adopts adequate controls to ensure that the public purpose is achieved.

It is unlikely that a state agency would be able to show compliance with the preceding conditions.

**Conference Registration Fees**

Advance payment of conference registration fees are made by issuing a purchase voucher/payment request directly to the organization sponsoring the conference. Optional expenses such as meals and lodging cannot be
paid for in advance. Payment for registration fees cannot be made more than six weeks in advance, except when registration is required further in advance to reserve space or to obtain a substantially reduced rate. The name of the person, full name of the conference, dates of the conference and the reason for prepaying must be included on the purchase voucher.

Conference registration fees may also be paid directly by the employee and then reimbursed by the state agency. However, the employee will not be reimbursed prior to attending the conference. Advance payment is only allowed when the voucher is payable to the organization sponsoring the conference.

**Employee Certification/Licensure**

Employees may be reimbursed for fees required to maintain professional certification or licensure. The authority for such payment is contained in Attorney General Opinion No. JM-1063 (1989), which states that a state agency may constitutionally pay professional fees or occupation taxes on behalf of its employees “if the responsible agency authority determines that the agency will receive adequate return on such expenditures, that is, that such expenditures would be directly and substantially related to the agency’s governmental function.” If a state agency elects to pay the fees on behalf of Certified Public Accountants (CPAs) in its employ, the $200 professional fee normally paid by the individual becomes a $40 fee to the state agency. A state employee engaged in outside practice would be personally responsible for the $200 professional fee.

Reimbursements will be made only for fees needed to maintain a job-related certificate or license; incidental or non-job related certifications do not qualify. Costs such as examination or course fees to initially obtain a license or certificate, late payment penalties, discretionary membership fees, or other related professional costs will not be subject to reimbursement as a professional membership fee.

**Employment of Retirees**

An institution of higher education may employ a person who has retired under the Teacher Retirement System (TRS) if the governing board determines that the employment is in the best interest of the institution, and the person has been retired for at least 30 days before the effective date of the employment. The same applies to a person retired under the optional retirement system, except that the rehire after retirement may occur without a break in service.

**Contract Negotiations Prior to Retirement (Only for Employees Utilizing TRS Retirement Program)**

Normal age retirees may not have a contract, agreement or promise of future employment at the time of retirement unless the employment meets one of the exceptions to loss/forfeiture of benefits:

* Normal age retirees may have a contract, agreement, or promise of future employment at the time of retirement for one-half time employment, full-time employment for up to six months, or employment as a bus driver.

* Normal age retirees may negotiate for employment as a classroom teacher in an acute shortage area or as a principal or assistant principal provided the contract includes a 12 consecutive month break in service after the date of retirement before the retiree begins work.
Early age retirees may not have a contract, agreement, or promise of future employment at the time of retirement. Negotiations to return to work may not occur until after the required 30 day break in service. Employees (utilizing the TRS retirement program) entering into contracts, agreements, or promises to return to work that do not meet these requirements, risk revocation of their retirement and the loss of all associated benefits of retirement.

**Flowers, Floral Arrangements, and Plants**

A state agency may not use state funds to purchase flowers, floral arrangements, or decorative plants for a state officer or employee or for the friends or family of a state officer or employee. Similarly, state funds may not be used to purchase, lease, or maintain live or artificial indoor plants unless the agency is an institution of higher education and the plants are to be used for educational or research purposes. As a general rule, purchases from state funds should be limited to vegetation dirt, potting soil, fertilizer, and seeds needed for erosion prevention, research, or agriculture.

Please contact your fiscal office for further guidance on the use of state and institutional funds for these purchases.

**Food Purchases**

The use of state funds for the purchase of food is very limited. State funds cannot be used for the purchase of food, coffee or related items for consumption by employees or departmental visitors. State funds can, however, be used to pay for food purchases related to research or teaching in a class or lab setting. The purpose must be clearly documented. Food purchases directly related to conferences, seminars, research or teaching, should be coded as Food Purchases (expense object code 4050).

Expenditures for food and/or refreshments from institutional funds are authorized to the extent such expenditures enable the state agency to carry out their educational function, serve to promote education in the State of Texas, and provide an important public service. All food purchases must follow A&M System Policy 25.05 http://tamus.edu/offices/policy/policies/index.html. Food purchases for business meals should be coded using expense code 6340. Allowable food purchases other than for business meals should be coded 6339. Purchase vouchers/payment requests for reimbursement of business lunches or entertainment must contain sufficient documentation to satisfy the Internal Revenue Service’s “five W’s”: who, what, where, when and why. If the voucher is paid without sufficient documentation to satisfy the “five W’s”, then amounts paid are taxable and should be included in taxable compensation on the employee’s W-2.

Expenditures for food and/or refreshments must comply with one or more of the following direct purposes:

* The recognition or promotion of academic achievement, athletic achievement, scholarship and/or service to an A&M System Member or the State;

* The support of educational classroom labs including early childcare, nutrition and food service labs;

* The promotion of the communication of intellectual ideas among students, faculty, staff, administrators and/or representatives of the public;
The support of student events and activities that are sponsored by an A&M System Member;

The recruitment of students, faculty, and staff;

The promotion of the exchange of ideas with community leaders regarding the role of an A&M System Member in the community;

The assistance of the Regents, accrediting agencies, officials from other universities and/or public officials in inspecting and reviewing the facilities and programs of an A&M System Member;

The support of a program of continuing education sponsored by an A&M System Member; or

The conduct of staff conferences and receptions or other events designed to recognize and honor employees.

The following categories of funds may be used to purchase food and/or refreshments for the purposes listed above:

* Balances in accounts funded from student service fees, bookstore allocations, and concessions may be used to purchase food and/or refreshments to the extent to which such funds have been budgeted.

* Donated unrestricted funds and funds received as registration fees for continuing education conferences and short courses may be used to purchase food and/or refreshments where provisions have been included in the registration fee.

* Funds raised and/or earned by student organizations may be used to purchase food and/or refreshments.

* Other locally generated income not restricted to administrative, education and general, research, plant expansion, loan, endowment, and/or scholarship programs may be used to purchase food and/or refreshments.

**Gifts and Awards**

Various taxable income issues exist related to gifts and awards. The following discussion is an overview. For specific information regarding gifts and awards, please consult the A&M System Tax Manual at [http://www.tamus.edu/offices/budgets-acct/tax/taxmanual/index.html](http://www.tamus.edu/offices/budgets-acct/tax/taxmanual/index.html) or contact the fiscal office.

In an effort to promote System-wide consistency and compliance with applicable tax regulations, the following guidelines should be used in determining the taxability of gifts, awards, and other presentations to employees:

* Cash, fringe benefits provided through the use of a charge or credit card, and cash equivalents (e.g., gift certificates) are considered taxable income to the employee regardless of the value.

* Gifts, awards, and other non-cash presentations are generally considered taxable income to the employee unless considered *de minimis* (defined below) or an employee achievement award (explained below).
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* De minimis fringe benefits are those that are both low in cost and given on an infrequent basis. For the A&M System’s purposes, gifts, awards, and presentations costing $100 or less will generally be considered de minimis. In addition, the frequency of presentations should be determined on an individual employee basis (no more than two times per year). Flowers, books, fruit baskets, plaques, certificates (not gift certificates), or similar items given for a special purpose such as family death or illness, recognition of special effort, or outstanding performance may be excepted from the $100 ceiling, with adequate documentation supporting exclusion from income. Cost and frequency must still be considered and explained in documentation concerning these types of items. Departments should refer special circumstances or questions to their fiscal office for further determination, if necessary.

* Employee achievement awards of tangible personal property costing up to $400 per employee during a calendar year are generally not taxable to the employee. The Internal Revenue Service definition of “employee achievement awards” includes only length of service or safety awards. Each must be awarded as part of a meaningful presentation and length of service awards given to an employee must be at least five years apart. Safety awards to managers, administrators, other professional employees, or clerical employees (essentially “white-collar” staff) are generally taxable, including those under a “qualified plan” as described below. Length of service and safety awards should not be disguised compensation.

* Retiree gifts may be excluded from income as length of service awards or as de minimis fringe benefits. To qualify as a length of service award, the retiree may not have received a length of service award during the previous five years. Retirement gifts proportionate to the retiree’s length of service may be excepted from income as de minimis, without regard to the $100 ceiling. Documentation of the relationship between the retiree’s length of service and the value of the gift is essential.

* “Qualified plan” employee achievement awards are not taxable up to $1,600 per employee during a calendar year. The A&M System Member’s plan should be submitted to the System Office of Budgets and Accounting for review. Qualified plans must be non-cash to be excluded from income. Expenditures for gifts and awards described above apply to institutional fund sources only. State funds may be used for employee awards under the following, more specific and stricter, restrictions:

- Service awards, safety awards and other similar awards for professional achievement or other outstanding service may be presented to employees or officers at periodic intervals under rules and regulations adopted by the agency. However, the award must not exceed $50 per employee.

- For awards to volunteers, a state agency may expend funds to purchase engraved certificates, plaques, pins, and other awards of a similar nature that do not exceed $50 in value per volunteer. The awards may be purchased only to recognize volunteers’ special achievement and outstanding service and only if the agency has established a volunteer program that complies with Chapter 2109, Texas Government Code, or with other applicable general law.

In either circumstance, awards paid from state funds should be considered de minimis fringe benefits for tax purposes.

As with all tax issues, documentation is required to support the decision regarding the taxability/non-taxability of the gift or presentation. Contact the fiscal office for additional guidance on this issue and related tax implications.

Honoraria or Speaking Fees
There are taxable income issues related to honoraria and speaking fees. For specific information regarding honoraria or speaking fees, please consult the A&M System Tax Manual at http://www.tamus.edu/offices/budgets-acct/tax/taxmanual/index.html or contact the fiscal office.

State agencies occasionally want to pay persons for speaking engagements. These payments are often referred to as “honoraria.” If an honorarium is, in a particular case, an honorary gift or a gratuitous payment instead of compensation for services rendered, then a state agency may not constitutionally pay an honorarium. If an honorarium is, in a particular case, a euphemism for a payment to a person for services rendered, a state agency may constitutionally pay an honorarium.

**Independent Contractors**

Discussions concerning independent contractors can become quite complex. The following is an overview. For specific information regarding Independent Contractors, please consult the A&M System Tax Manual at http://www.tamus.edu/offices/budgets-acct/tax/taxmanual/index.html or contact the fiscal office.

State agencies are exempt from paying Social Security, deducting income tax, reporting earnings to the Texas Workforce Commission, and providing employee benefits to bona fide independent contractors or outside consultants. However, if an individual is incorrectly classified as an independent contractor, the state agency may be in violation of one or more federal and state laws including the Federal Unemployment Tax Act, the Internal Revenue Code, the Texas Unemployment Compensation Act, and the Texas Workers’ Compensation Insurance Law.

Penalties for violating these laws can include payment of back wages plus liquidated damages, payroll taxes, court costs and attorney’s fees, declaratory injunctive relief as defined by a court, and other monetary penalties. The U.S. Department of Labor has stressed the following six factors as the criteria to be used in determining whether an individual is an employee or independent contractor:

* The extent to which the services provided are an integral part of the contractor’s business;

* The permanency of the employment relationship;

* The amount of the contractor’s investment in facilities and equipment;

* The nature and degree of control and supervision by the employer;

* The contractor’s opportunities for profit and loss; and

* The amount of initiative, judgment, or foresight in open market competition with others required for the success of the claimed independent enterprise.

If an individual is employed to perform unskilled labor, is paid an hourly rate, and is closely supervised, he/she probably would not meet the test of an independent contractor and, therefore, should be treated as an employee.

The Internal Revenue Service provides additional guidance on the matter. The Internal Revenue Code provides that employment taxes are imposed on wages received by employees. The Code defines the term “employee” for FICA purposes as any individual whose employment status meets the common law requirements for an employer-employee relationship. Generally, an employer-employee relationship exists if the person for whom the services are performed has the right to control and direct the individual who performs the services, not only as to the
results of the work but also the details and means by which the results are accomplished. It is unnecessary for the employer to actually direct or control the manner in which the services are performed; it is sufficient if the employer has the right to do so. If an employer-employee relationship exists, the designation of the parties as anything other than that of employer and employee is immaterial. Thus, if that relationship exists, it is of no consequence that the employee is designated as a partner, co-venturer, agent, or independent contractor.

**Interagency Agreements/Contracts**

State agencies are authorized by the Texas Interagency Cooperation Act to enter into written contracts with other agencies of the State for furnishing special or technical services. The contract may be for employee services, materials, and/or equipment and must specify the kind and amount of services or resources to be provided, the basis for computing reimbursable costs, and the maximum cost during the period of the agreement or contract. Proposals for interagency contracts should be approved by the applicable Chief Executive Officer of the A&M System Member, or authorized designee, prior to expenditure of funds related to the contract. Written contracts are required only when the total amount of the transaction is expected to exceed $50,000. In situations where the amount of the transaction is $50,000 or less, agencies may use an informal letter of agreement instead of a contract. Interagency Agreements/Contracts must follow the Prompt Payment Act. Contract workforce regulations also apply. All contracts, regardless of amount, negotiated by any A&M System Member must be reviewed by the A&M System Office of General Counsel before they can be finally approved.

A state agency that receives services or resources under an interagency agreement or contract may advance funds to the state agency providing the services or resources if an advance is necessary to enable the providing agency to provide the services or resources. If an advance is made, the agencies shall ensure after the services or resources are provided that the providing agency has received only sufficient funds to reimburse its total costs.

Proposed forms and instructions for Interagency Cooperation Contracts and Intrasystem Cooperation Contracts can be found at [http://www.tamus.edu/offices/budgets-acct/contracts/interagency-agreement.html](http://www.tamus.edu/offices/budgets-acct/contracts/interagency-agreement.html).

**Memberships - Non-Professional Organizations**

A state agency may pay a membership fee to a non-professional organization if:

1. The agency has specific or implied statutory authority for the payment;

2. The payment would serve a public purpose; and

3. The agency would receive adequate consideration/benefit in exchange for the payment.

A state agency may pay a membership fee to a private entity so that the agency may purchase goods or services at a discount only if the agency shows that the cost of goods or services plus the membership fee is less than the cost of purchasing these same items elsewhere. The purchase voucher/payment request must state the public purpose that will be served by paying the membership fee and how the payment relates to the statutory duties of the agency.

In accordance with the General Appropriations Act, a state agency may not use appropriated money to pay membership dues to any organization that pays part or all of the salary of a registered lobbyist. Membership fees can be paid with state funds only if written documentation is provided from the State of Texas ethics web site, [http://www.ethics.state.tx.us/dfs/loblists.htm](http://www.ethics.state.tx.us/dfs/loblists.htm), confirming that the organization is not listed under “Lobby List Registered Lobbyist and Clients, sorted by Clients.”
Depending on individual A&M System Member rules or procedures, expenditures for certain employee social club memberships are allowable when paid from unrestricted gift or other institutional funds. The business purpose (or percentage of business use) of the membership should be documented. Payments are considered taxable income to the employee for the portion of the membership not used for business purposes. If personal use exceeds 50%, the entire membership becomes personal income to the employee(s). Contact the fiscal office for additional guidance on this issue.

**Memberships - Professional Organizations**

The following guidelines regarding Professional Organization Memberships relate to the expenditure of state funds. Contact the fiscal office for additional guidance on this issue.

A state agency may pay a membership fee to a professional organization if:

- The agency has specific or implied statutory authority for the payment;
- The payment would serve a public purpose; and
- The agency would receive adequate consideration/benefit in exchange for the payment.

A state agency may not spend state funds to pay a membership fee or dues to a professional organization unless the head of the agency, or his/her designee, reviews and grants prior written approval for the expenditure. It is suggested that a list of organizations be prepared and submitted annually for approval.

Memberships in professional organizations should be in the name of the state agency and not in the name of an individual. The purchase voucher/payment request must state the public purpose that will be served by the expenditure and how the expenditure relates to the specific statutory duties of the department or agency.

The General Appropriations Act says that a state agency may not use appropriated money to pay membership dues to an organization that pays part or all of the salary of a registered lobbyist. Therefore, membership fees can be paid with state funds only if you provide written documentation that you have checked the State of Texas ethics web site, located at [http://www.ethics.state.tx.us/dfs/loblists.htm](http://www.ethics.state.tx.us/dfs/loblists.htm), and confirm that the organization is not listed under “Lobby List-Registered Lobbyists and Clients, sorted by Clients.”

**Moving Expenses**

A state agency may use any source of funds to pay the reasonable, necessary, and resulting costs of moving the household goods and effects of a state employee. However, the costs are payable only if:

- The employee is being transferred from one designated headquarters to another;
- The agency determines that the transfer is in the best interests of the state; and
- The distance between the boundaries of the two designated headquarters is at least 25 miles.

State-owned equipment must be used to move the household goods and effects of the transferring employee. However, if state-owned equipment is unavailable, a state agency may pay for the services of a commercial transportation company or for self-service vehicles to facilitate the move. A state agency may directly pay a
commercial transportation company or the owner of a self-service vehicle, instead of reimbursing a state employee, as long as purchasing procedures have been followed.

A state employee who transfers from one designated headquarters to another because the employee is transferring from one state agency to another qualifies for moving expense reimbursements from the state agency to which the employee is transferring. This only applies if the employee accepts employment at the new state agency before the employee ceases working for the old state agency. Only institutional funds may be used in the situation where a new employee’s moving expenses are being paid in fulfillment of the employment contract.

The following discussion is informational only. Additional information regarding tax implications related to payment of moving expenses can be found in the A&M System Tax Manual located at http://www.tamus.edu/offices/budgets-acct/tax/taxmanual/index.html or by contacting the fiscal office.

Amounts received by an employee as payment for, or reimbursement of, moving expenses which are attributable to employment, must be included in gross income as compensation for services, except where deductible as qualified moving expenses.

Qualified moving expenses are:

* travel (including lodging but not meals) to the new residence, and
* transportation of household goods and personal effects, including rental of moving vehicles or payment to a moving company, boxes, tape, and packaging material.

If the employee uses his car to take himself, members of his household, or his personal effects to his new home, he can calculate expenses by deducting either:

* Actual expenses, such as gas and oil, for his car if he keeps an accurate record of each expense; or
* The Federal standard mileage rate of $0.13 per mile.

Qualified expenses must be made under an accountable reimbursement plan which requires that original receipts be obtained. IRS Rules generally consider a moving expense to be “qualified” when the distance from the old residence to the new principal place of work is at least 50 miles more than the distance from the old residence to the old principal place of work. Where an employee did not have a former place of work, the distance from the old residence to the new principal place of work must be at least 50 miles. In addition, the employee must generally be employed full-time by the same employer for at least 39 weeks during the 12-month period immediately following arrival at the location. Employees should contact their tax advisor for individual income tax advice.

Qualified moving expenses should be coded as State Employee Relocation - Qualified Expenses (expense object code 1925) and non-qualified moving expenses should be coded as State Employee Relocation - Non-Qualified Expenses (expense object code 1926).
Notary Fees

Effective September 1, 2002, the State of Texas no longer requires employees designated as notaries to purchase notary bonds. The following quote outlines the state’s stance on notaries in relation to being bonded:

NOTE: The state will defend and reimburse a state employee for damages, attorney’s fees and court costs adjudged against them when the damages are based on an act or omission in course and scope of the person’s employment (Civil Practice and Remedies Code Section 104.001). So when notarizing documents outside the course and scope of your work duties, you will not have the protection for your actions unless you personally purchase the notary bond.

All notary applications are to be submitted to the State Office of Risk Management with a check for $11.00 made payable to the Secretary of State. Procedures and applications can be found on the web at http://www.sorm.state.tx.us/Risk_Management/Bonds_and_Insurance/notary_forms.php. If you have any questions or need additional information, please contact the System Office of Risk Management.

Payments to Non-U.S. Citizens

“Payments to Non-U.S. Citizens” is a complex process. The following is an overview. For more detailed information, please refer to the A&M System Tax Manual, located at http://www.tamus.edu/offices/budgets-acct/tax/taxmanual/index.html, or contact the fiscal office prior to the event.

All payments to non-employee foreign nationals for services performed or expenses being paid or reimbursed on behalf of that individual must include a copy of the foreign individual’s entry visa or evidence of temporary non-immigrant status. It would also be helpful to know whether the individual has met the “substantial presence test.” There are different types of visas and the federal government has determined what types of expenses may be paid for services provided. In some instances, scholarships may be subject to withholding. Texas A&M University - Financial Management Services - Accounts Payable has included a chart entitled “A Summary of Visa Options for Schools with International Students and Scholars” on its homepage that may be helpful in determining probable tax status, depending on visa type. For visa types that only allow payments for expenses, reimbursement may only be made with actual receipts. Payments to individuals who are non-resident aliens require either a Social Security Number or an Individual Taxpayer Identification Number (ITIN) prior to being paid. This includes payments being made on behalf of that individual (i.e. direct bills for hotels and airlines). If an individual is not eligible for a Social Security Number, he/she should apply for an ITIN.

To identify the countries included on the List of Tax Treaties, access the IRS website at http://www.irs.gov. In the “Search IRS Site for” field type in tax treaties, then click on the first link “Income Tax Treaties.” This is a list of treaties. If the country is on the List of Tax Treaties, the United States has a tax treaty with that country and the individual will need to complete an Internal Revenue Service Form 8233 located at http://www.irs.gov/pub/irs-pdf/i8233.pdf

If the country is not on the list, then the United States does not have a tax treaty with that country. In this instance, the individual will receive 70% of the amount due and a second purchase voucher, made payable to the Internal Revenue Service, will need to be prepared for the remaining 30% of the payment.

Penalties
State funds may not be used to pay a penalty to any person or entity unless a valid federal law or regulation requires the payment. A late charge is not a penalty if the charge reasonably relates to the costs incurred by a person or entity because a state agency was late in making a payment. In contrast, a late charge is a penalty if the charge does not reasonably relate to the costs incurred by a person or entity because a state agency was late in making a payment.

**Printing**

*Section 21 of the Texas Constitution requires all printing to be competitively bid.* Therefore, more than one bid should be obtained even if the anticipated cost is under $5,000. A bid or waiver form must be obtained from Texas Correctional Industries (TCI). If TCI is contracted to perform the job, no other bids will be required. Bids are not required when the agency is utilizing one of the state print shops (including university-owned printing centers).

**Private Consultants**

A consulting service is the practice of studying an existing or a proposed operation or project of an agency and advising the agency with regard to the operation or project. The term does not include services connected with the routine work necessary to the functioning of an agency’s programs. The key words are “studying” and “advising,” rather than “performing.”

Private/outside consultants may be used if there is a substantial need and such services cannot be adequately performed by agency personnel or through contract with another state agency. Such contracts may be entered into by following normal contracting procedures. See System Regulation 25.99.03 http://www.tamus.edu/offices/policy/policies/ for exemptions, requirements, and procedures related to the contracting process.

Before entering into a consultant services contract which is reasonably foreseen to exceed $25,000 during its term, the state agency must notify the Legislative Budget Board and the Governor’s Budget and Planning Office of their intent, provide information that demonstrates that there is a substantial need for the consulting service and that the agency cannot adequately perform the services with its own personnel or obtain consulting services through a contract with another state agency.

At least 30 days prior to entering into a consulting services contract that is reasonably foreseen to exceed $25,000, the state agency must file a document with the secretary of state for publication in the *Texas Register.* The document must:

- Invite consultants to provide offers of consulting services; and
- Identify the individual who should be contacted by a consultant that intends to make an offer; and
- Specify the closing date for the receipt of offers; and
- Describe the procedure by which the state agency will award the contract.

If the consulting services sought by a state agency relate to services previously provided by a consultant, the agency must disclose that fact in the invitation for offers. If the agency intends to award the contract for the consulting services to a consultant that previously provided the services, unless a better offer is received, the agency must disclose its intention in the invitation for offers.
Notice of a consulting services contract award must be published in the Texas Register no later than 20 days after entering into the contract. The notice should include a description of the activities that the consultant will conduct; the name and business address of the consultant; the total value and the beginning and ending dates of the contract; and the dates on which documents, films, recordings, or reports that the consultant is required to present to the agency are due.

A state agency must provide written notice to the Legislative Budget Board for all consulting services contracts (including amendments, modifications, renewals or extensions) that exceed $14,000. Contact your fiscal office for additional information.

A state agency may not divide a consulting services contract into more than one contract to avoid the requirements outlined above.

An individual who offers to provide consulting services to a state agency and who has been employed by that agency or by another state agency at any time during the two years preceding the making of the offer must disclose in the offer the nature of the previous employment with the agency, the date the employment was terminated, and the annual rate of compensation for the employment at the time of its termination. If the state agency accepts the individual’s offer, information regarding the individual’s previous employment and its nature must be included in the Texas Register notice posted after the contract is awarded.

The employment of any individual by an A&M System Member as a private consultant, in addition to his/her normal employment with the same Member, should be processed through the payroll system. When the funding source for the contract will be state funds, a institution of higher education may not enter into a consulting services contract with a former or retired employee of the agency before the first anniversary of the last date on which the individual was employed by the agency.

The System Office of General Counsel (OGC) must review any contract for outside counsel. OGC will then submit the contract to the Attorney General’s office for approval. When payment to an outside counsel is requested, the invoice must be forwarded to OGC, accompanied by the current Outside Counsel Agreement previously approved by the Attorney General’s office for approval. Please contact the fiscal office for additional information.

Professional Services

Professional services are services within the scope of the practice of accounting, architecture, landscape architecture, optometry, medicine, real estate appraising, land surveying or professional engineering, professional nursing or those services performed by any licensed or registered architect, landscape architect, optometrist, physician, surgeon, registered nurse, certified public accountant, real estate appraiser, land surveyor or professional engineer in connection with his/her professional employment or practice.

The selection and engagement procedures for professional services are subject to the Professional Services Procurement Act (Chapter 2254, Subchapter A, Texas Government Code). Selection should be based on demonstrated competence and qualifications for the type of professional services to be performed and at fair and reasonable prices, as long as professional fees are consistent with and not higher than the published recommended practices and fees of the various applicable professional associations and do not exceed the maximum provided by law. Any contract or agreement for professional services in violation of any provisions of the Professional Services Procurement Act is void and of no effect.
Professional service contracts are not subject to the same notification, publication, and reporting requirements as private consultant contracts. However, a state agency must provide written notice to the Legislative Budget Board of a professional services contract, other than a contract for physician or optometric services, if the amount of the contract (including amendment, modification, renewal, or extensions) exceeds $14,000. Additional information regarding the procurement of professional services can be found in System Regulation 25.99.03, located at http://www.tamus.edu/offices/policy/policies/

If state funds will be used to make payments under the contract, a state agency may not enter into a professional services contract with a former or retired employee of an agency before the first anniversary of the last date on which the individual was employed by the agency. The agency, however, is not prohibited from entering into a professional services contract with a corporation, firm, or other business entity that employs a former or retired employee of the agency within one year of the employee’s leaving the agency, provided that the former or retired employee does not perform services on projects for the corporation, firm, or other business entity that the employee worked on while employed by the agency.

**Publications**

State funds may not be used for the publication, recording, production, or distribution of any item or matter unless the publication, recording or production is: (1) essential to accomplish or achieve a strategy or outcome target established by the General Appropriations Act; or (2) required by law. This includes lists, notices, pamphlets, video tapes, audio tapes, microfiche, films, or other electronically produced information or records.

State funds may not be expended to print a publication of any type that prominently displays the name or picture of a statewide elected official, any appointed officer of the state, or an employee. If a state agency wants to distribute a publication that includes a photograph of a state official or employee or displays the name of a state official or employee in large type or on a repetitive basis, then the agency must provide an advance copy of the publication to the State Comptroller for review.

Each state publication must clearly reflect the date that the publication is produced or initially distributed by a state agency in a conspicuous location at or near the beginning of the publication.

**Recruitment of Students**

State funds may not be used for recruiting out-of-state students. This includes transportation costs for out-of-state prospective students or university employees. Institutional funds may be used for out-of-state recruiting costs.

**Speakers**

Per the Texas Ethics Commission publication, *A Guide to Ethics Laws for State Officers and Employees*, you may not solicit, agree to accept, or accept an honorarium in consideration for services you would not have been asked to provide but for your official position. It is permissible to accept food, transportation, and lodging in connection with a speech or other service performed in an official capacity. **Payments to individuals currently employed by the A&M System must be processed through payroll.** The Payroll contact person for the PIN where the individual is employed will provide details of what is required to process these payments. Payments to individuals who are
currently not an active TAMUS employee but have been employed by the A&M System within the past year must be made through payroll.

**State Employees Training Act**

The State Employees Training Act allows agencies to expend state funds to provide training and education for its administrators and employees. However, the program must relate to the current or prospective job duties of each administrator or employee who is trained under the program. See System Policy 33.05 [http://www.tamus.edu/offices/policy/policies/] and System Regulation 33.05.01 [http://www.tamus.edu/offices/policy/policies/] for additional information. Each state agency is required to adopt rules concerning the eligibility of its administrators and employees for training and education and the obligations assumed by them upon receiving the training and education. These rules must be approved by the Governor’s Budget and Planning Office before any expenditures can be made under the program.

Allowable expenses include salary, tuition and other fees, travel and living expenses, training stipends, training materials costs, and other necessary expenses of the instructor, student, or other participant. A copy of the governor’s approval of the agency’s training plan must be attached to the purchase voucher/payment request.

The State Employees Training Act was amended by the 76th Legislature by adding certain restrictions and liabilities should an employee fail to continue being an employee for a certain length of time after the training period is complete. Prior to the start of three or more months of training in which an employee will not be performing his regular duties, the employee must agree in writing to work at least one month for each month of training received or pay the agency for all costs associated with the training. Training costs include any amounts of the employee’s salary that were paid and that were not accounted for as paid vacation or compensatory leave. The Board of Regents may, in a public meeting, waive these requirements if it is found to be in the best interest of the agency or is warranted because of an extreme personal hardship suffered by the employee. If an employee does not fulfill the written agreement and is not released from the obligation to provide services or make the payments, the employee is liable to the state agency for any associated training costs and for the agency’s reasonable expenses incurred in obtaining payment, including reasonable attorney’s fees.

**Subscriptions**

Subscriptions should be in the name of the applicable A&M System Member. In general, payment cannot be made more than six weeks before the start of the subscription period. If payment is required earlier than six weeks, an explanation must be included on the purchase voucher/payment request. The beginning and ending date of the subscription must be stated on the purchase voucher.

**Taxes - Federal and State**

The Texas A&M University System is exempt from most federal and Texas state taxes. We are also exempt from other states’ sales tax if the goods are being shipped to us in Texas. Business meals that are direct billed to the state agency are tax-exempt. Exceptions are as follows:

* Reimbursement of sales tax to an individual who has purchased goods for an A&M System Member can only be made from certain institutional funds. Departments are encouraged to submit a Texas Sales and Use Tax Exemption Certification to the vendor at the time of purchase. The form can be found on the State Comptroller’s website at [http://www.cpa.state.tx.us/taxinfo/taxforms/01-3392.pdf](http://www.cpa.state.tx.us/taxinfo/taxforms/01-3392.pdf). A copy of the...
form can be obtained from the Member’s fiscal office. Please contact the fiscal office to determine which institutional funds may be used. (Refer to the Travel Voucher section of these Guidelines for additional information on sales tax on lodging.)

* State agencies are required to pay the federal tax and may be required to pay certain state tax on bulk fuel purchases. State agencies are exempt from paying federal tax on telephone bills and regular fuel purchases that are required to be purchased on the fleet card.

Note: Texas agencies are required to collect sales tax when selling items to a final purchaser who is not tax exempt.

**Telecommunications**

A state agency may not buy, rent, or pay toll charges for a telephone for which the telephone number is not listed or available to the public from directory assistance. This prohibition does not apply if the unlisted telephone number is used to provide access to computers, telephone system control centers, long-distance networks, elevator control systems, and other tone-controlled devices for which restricted access to the telephone number is justified for security or other purposes.

**Telecommunication Service Fees and Surcharges**

A state agency may not pay the following fees and surcharges:

* 9-1-1 emergency service fee imposed on local exchange access lines or equivalent local exchange access lines (also referred to as USA Regulatory Obligation & Fees, or Emergency Service Charge);
* 9-1-1 emergency service fee imposed on wireless telecommunications connections;
* 9-1-1 equalization surcharge imposed on intrastate long-distance services (also referred to as Texas Equalization Surcharge by AT&T);
* Texas Universal Service Fund (TUSF) Charge;
* 800 calls from payphones;
* Poison Control Surcharge (also referred to as Telephone Tax by AT&T);
* Texas Infrastructure Fund (TIF) Assessment (also referred to as Texas State Special Fee or Special Tax);
* Federal Excise Tax (also referred to as Federal Tax);
* State Sales Tax;
* County Sales Tax;
* Local/City Sales Tax;
* Metro Transit Authority (MTA) Tax;
* Late charges (does not include wireless providers);
* Property Tax (also referred to as Federal Regulatory Fee by AT&T); or
* Administrative Expense Fee (AT&T).

Additional information regarding telecommunications fees, taxes and surcharges can be found on the Department of Information Resources website at [http://www.dir.state.tx.us/store/tsd/oagtaxexempt.htm#fusf](http://www.dir.state.tx.us/store/tsd/oagtaxexempt.htm#fusf).

**Tips and Gratuities**

Based on Attorney General opinions, reimbursements to employees for tips or gratuities paid voluntarily in connection with business meals can only be made from gift or other institutional funds. Payments of mandatory
service charges imposed by a vendor may be paid from any institutional fund under the same requirements applicable to food purchases. Tips and gratuities cannot be paid or reimbursed from state funds.

**Utility Services**

A utility may not bill or otherwise require a state agency to pay for services before the services are provided. This does not prohibit a utility from entering into an agreement with a state agency to establish a level or average monthly service billing plan. The agreement must require quarterly reconciliation of the leveled or equalized bills.

The rates that a utility charges a state agency may not include an amount representing a gross receipts assessment, regulatory assessment, or similar expense.

The Public Utility Regulatory Act prohibits a telecommunications utility that provides service to a state agency from imposing a fee, a penalty, interest, or any other charge for delinquent payment of a bill for that service.