

ENERGY STAR® Sales Tax Holiday Memorial Day Weekend: May 28 - 30, 2016

Additional Resources

- [Frequently Asked Questions](#)
- [Tax Code Sec. 151.333. ENERGY-EFFICIENT PRODUCTS](#)
- [Rule 3.369, Sales Tax Holiday--Certain Energy Star Products](#)

How to Report Tax on ENERGY STAR Sales

For information on how to report tax on these sales, please visit [Reporting Sales Tax on Tax-Free Items](#) or call us toll free at 1-800-252-5555.

During Memorial Day weekend, Texas shoppers get a break from state and local sales and use taxes on purchases of certain energy efficient products.

The 2016 ENERGY STAR sales tax holiday begins at 12:01 a.m. (after midnight) on Saturday, May 28, and ends at 11:59 p.m. on Monday, May 30 (Memorial Day).

The products qualifying for the exemption are:

- Air conditioners priced at \$6,000 or less
- Refrigerators priced at \$2,000 or less
- Ceiling fans
- Incandescent and fluorescent light bulbs
- Clothes washers
- Dishwashers
- Dehumidifiers
- Programmable thermostats*

** ENERGY STAR specification of programmable thermostats was suspended on Dec. 31, 2009; however, any existing stock of ENERGY STAR labeled programmable thermostats offered for sale by retailers is still eligible for the exemption.*



Qualifying products will display the ENERGY STAR logo, which may appear on the appliance, the packaging or the Energy Guide label. [ENERGY STAR](#) is a joint program of

the U.S. Environmental Protection Agency and the U.S. Department of Energy. Earning the ENERGY STAR means a product meets strict energy efficiency guidelines set by these two federal agencies.

There is no limit on the number of qualifying items one can purchase during this sales tax holiday, and an exemption certificate is not required.

Internet and Catalog Sales

The tax-free holiday also applies to Internet and catalog sales of eligible products, provided that (1) the item is paid for and delivered to the purchaser during the exemption period; or (2) the purchaser orders and pays for the item and the retailer accepts the order during the exemption period for immediate shipment, even if delivery is made after the exemption period.

The retailer accepts an order when the retailer has taken action to fill the order for immediate shipment. Actions to fill an order include placement of an "in date" stamp on a mail order and issuing a confirmation verifying the date the seller accepted the order. An order is considered "for immediate shipment" even if delivery or shipment may be delayed because of a backlog of orders or because an item is temporarily out of stock or on back order by the seller.

Layaway Plans

Layaway plans can be used to take advantage of the sales tax holiday. Layaway sales of eligible products qualify for the exemption when either the final payment on a layaway order is made and the merchandise is given to the customer during the exemption period, or the item is selected by the customer and the order is accepted into layaway by the retailer during the exemption period for immediate delivery upon full payment, even if delivery is made after the exemption period.

Delivery Charges

Delivery, shipping, handling or transportation charges connected to the sale of a qualifying item purchased tax free during the sales tax holiday also qualify for the exemption. Such charges are included as part of the sales price of qualifying products sold during the holiday whether separately stated or not. For example, assume a retailer sells an ENERGY STAR-rated dishwasher tax-free during the sales tax holiday and charges the customer an additional fee for delivery. The entire amount billed to the customer for the purchase and delivery of the qualifying appliance is exempt from tax, even if the delivery charge is separately stated or billed after the sale.

Shipping and handling charges must be properly allocated when a package or delivery contains both exempt and taxable items. For example, assume a retailer sells an ENERGY STAR-rated clothes washer tax-free during the sales tax holiday. The same customer also purchases a clothes dryer, which does not qualify for the exemption. The retailer charges the customer an additional fee of \$25 per appliance for delivery. The \$25 delivery fee connected to the delivery of the

qualifying exempt clothes washer is exempt from sales tax, but the \$25 delivery fee connected to the delivery of the taxable clothes dryer is subject to tax.

However, if the delivery charge is a flat rate per package or delivery address and the amount charged is the same regardless of how many items are included in the package or delivery, for purposes of the exemption the total charge may be attributed to one of the items in the package rather than proportionately and separately allocated between the items. For example, assume a seller charges a flat fee of \$50 per customer address for delivery regardless of the number of items delivered to that address. Assume that during the sales tax holiday a customer purchases a qualifying ENERGY STAR-rated refrigerator tax-free, a taxable stove and a taxable microwave and the seller charges the customer the flat fee of \$50 for delivery of all three items. Under these facts, the seller may attribute the \$50 charge for delivery to the sale of the refrigerator (a qualifying exempt item) and does not have to allocate the delivery charge between the refrigerator, stove and microwave. If the charge is attributed to the refrigerator, then the entire flat fee delivery charge qualifies for the exemption. The sales invoice must clearly identify that the delivery charges were attributed to the exempt item and separately state the tax due on the non-qualifying merchandise.

It is important to note that delivery and/or installation charges billed in connection with the sale of air conditioners and refrigerators may disqualify some of those products from the exemption. During the ENERGY STAR sales tax holiday, only air conditioners with a total price of \$6,000 or less and refrigerators priced at \$2,000 or less qualify for exemption from sales and use tax. The total sales price includes charges by the seller for delivery, and charges for installation performed by the seller if the items will remain tangible personal property (i.e., not built-in or permanently attached to the structure of the building). See Tax Code Section 151.007. The addition of these charges to the retail price of the appliance will cause the loss of the exemption if the total price exceeds the cap.

For example, the purchase of a refrigerator priced at \$1899 plus a delivery charge of \$100 will have a total sales price of \$1999 and will qualify for the exemption. But, a refrigerator priced at \$1999 with a delivery charge of \$100 would not qualify for the exemption because the total sales price would be \$2099 which exceeds the \$2000 cap.

Installation Charges

Charges for installation of qualifying items purchased during the sales tax holiday may qualify for exemption depending on whether the items are permanently attached to or installed in real property and whether the realty is residential or nonresidential.

Items that are free-standing or mobile, such as clothes washers, dehumidifiers, refrigerators, portable dishwashers and window or room air conditioning units are tangible personal property. If an item retains its identity as tangible personal property after installation, then installation charges billed by the seller of the item also qualify for the sales tax holiday exemption - even if the installation is performed after the holiday period is concluded.

Items such as programmable thermostats, central air conditioning units, ceiling fans and built-in refrigerators and dishwashers that are plumbed, wired or otherwise permanently attached to a building structure are improvements to real property. For items that are incorporated into realty, the taxability of the installation labor is determined by the type of jobsite.

Labor charges are not taxable on new construction and residential repair and remodeling jobsites. Therefore, no tax is due on charges for installing items such as ceiling fans, programmable thermostats or central air conditioning units in residential property or during a new construction project. See [Comptroller Rule 3.291, "Contractors,"](#) for more information.

Nonresidential repair and remodeling is a taxable service. Therefore, tax is due on charges for installing ceiling fans, built-in appliances, programmable thermostats and central air conditioning units in nonresidential real property, regardless of when the installation is performed. Charges for installation performed on existing nonresidential real property should be separately stated on the invoice from the sales price of the qualifying ENERGY STAR-rated item. A lump sum charge for the purchase of an ENERGY STAR item and installation is subject to tax as the purchase of nonresidential repair and remodeling.