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TAX TOPICS

SALES AND USE TAX

Texas Comptroller of
Public Accounts

Security Services

The Tax Code defines a taxable security service as any service for which a license is required under sections 1702.101 or 1702.102 of the Texas Occupations Code. These licenses are administered by the Private Security Bureau of the Texas Department of Public Safety.

Taxable security services include a wide range of activities such as investigations, providing security guards or guard dogs, monitoring certain medical alert systems, installing or monitoring burglar alarm systems, providing armored cars or armed couriers, vehicle location and tracking (also known as Tele-Matics), unclaimed property services and computer forensic services (e.g., locating and retrieving deleted or hidden computer files).

Effective January 1, 2008, locksmith services and private security consulting services are also taxable security services.

Medical alert services and the services of full-time peace officers privately employed as guards or watchmen are not taxable security services. In addition, vehicle location and tracking service providers can be exempted from the licensing requirement by the Private Security Bureau if they pay an annual fee and meet certain operating standards.

Properly Collecting Tax Due

Taxable security service providers must collect state and all applicable local sales tax on the total amount billed for the services provided unless they receive a properly completed resale or exemption certificate from



the purchaser. The taxable sales price includes incidental expenses such as meals, lodging, car rental and insurance billed to the customer. For more information concerning local taxes, see Publication 94-105, *Guidelines for Collecting Local Sales and Use Tax*.

Taxability of Items Used to Perform Security Services

Sales and use tax is due on most materials, supplies and equipment used to provide a taxable security service. For example, a company monitoring alarm systems must pay tax on purchases of computer equipment used to provide their service.

A service provider can, however, give a resale certificate instead of paying tax on goods that are integral to performing the service and that are transferred to the care, custody and control of the customer as a part of the service. For example, if a taxable service provider copies the results of her investigation to a CD to give to her customer, she

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SECURITY SERVICES

can buy the blank CD tax free with a resale certificate.

Taxable security service providers can also give a resale certificate instead of paying tax on a service that is an integral part of their taxable security service. For example, if a taxable security service provider purchases the services of a credit reporting service as part of a background check, he can give the credit reporting service a resale certificate instead of paying tax on the charges.

A person providing nontaxable security services owes tax on all goods and services purchased to perform those services.

Reselling a Security Service

If a taxable security service provider purchases taxable security services from a third-party vendor and resells those services to its customer, the service provider can give a resale certificate to the third party instead of paying tax and then collect tax from its customer on the total charge.



Contracts with Tax-Exempt Entities

A taxable security service provider will not charge tax when it provides security services for a government agency. In addition, a nonprofit organization exempt from sales tax must give you an exemption certificate instead of paying tax. To verify that an organization is exempt from sales tax, use our exempt entity search at http://www.comptroller.texas.gov/taxinfo/exempt/exempt_search.html or call us at (800) 252-5555. Other nonprofit organizations must pay sales tax on taxable security services.

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