



Town of Chester Reimbursement of Taxes Policy

Last Updated: 11/10/2025

Approved: 11/17/2025

Introduction

Purpose

This policy establishes clear guidelines for when the Town of Chester may reimburse employees for taxes incurred during the course of official duties, in accordance with Massachusetts General Laws (MGL) and proper financial practices.

Policy Statement

Employees shall only be reimbursed for actual, reasonable expenses incurred on behalf of the municipality. Reimbursement of taxes is strictly limited to the conditions outlined in this policy.

1. Sales Tax Reimbursement

Under MGL Chapter 64H, Section 6(d), municipalities in Massachusetts are exempt from state sales tax on purchases of tangible personal property and services made for public purposes. Employees must make every effort to utilize the municipality's tax-exempt certificate when making purchases.

1.1 General Rule

The default expectation is that no sales tax should be paid on municipal purchases. Employees are required to use the Town/City's tax-exempt certificate whenever possible.

1.2 Allowable Reimbursement of Sales Tax

Sales tax may be reimbursed to employees only in the following limited exceptions:

- - Emergency Purchases: Where time constraints prevent use of the tax-exempt certificate.
- - Vendor Refusal: If a vendor refuses to accept the tax-exempt certificate, including certain online purchases.
- - Incidental Low-Value Purchases: Where applying the exemption is impractical (e.g., small local vendors).

1.3 Pre-Approval (Recommended Best Practice)

For non-emergency situations, employees are encouraged to seek pre-approval from their Department Head or the Town Administrator, with documentation explaining why the exemption cannot be used.

1.4 Required Documentation

To claim sales tax reimbursement, employees must submit:

- - Itemized receipts showing total purchase and sales tax paid;
- - Written justification explaining why exemption was not used;
- - Department Head approval for any non-emergency claims.

1.5 Non-Reimbursable Sales Tax

The Town will not reimburse sales tax:

- - On personal or non-work-related purchases;
- - When the employee fails to make a reasonable effort to use the tax-exempt certificate;
- - On unauthorized or non-budgeted expenditures.

1.6 Compliance and Audit

All claims are subject to review by the Accounting Office and external auditors. Improper claims may result in denial, recovery of funds, or disciplinary action under MGL c.44 §53.

2. Licensing and Certification Fees

Employees may be reimbursed for licensing, certification, or professional fees required for their position, including taxes and administrative fees, provided documentation is submitted and prior approval is granted in accordance with MGL c.41 §52.

3. Non-Reimbursable Taxes

The following taxes are not eligible for reimbursement:

- - Personal Income Taxes (federal or state);
- - Employee Property or Excise Taxes;
- - Employee Payroll Taxes (FICA, Medicare);
- - Any taxes unrelated to municipal duties.

4. Required Documentation for All Reimbursements

Per MGL c.41 §52, all reimbursement claims must include:

- - Detailed, itemized receipts;
- - Proof of payment;
- - Department Head approval;
- - Explanation of any taxes included in claims.

5. Compliance

Employees are responsible for compliance with this policy. Violations, including improper tax reimbursement requests, may be subject to denial, repayment, and disciplinary action.

Taxes Towns Must Pay or May Reimburse For:

TAXES TOWNS MUST PAY OR MAY REIMBURSE FOR:

- - Meals and Lodging Taxes: Municipalities must pay or reimburse employees for lodging and meals taxes during approved work travel (MGL c.64G and c.64L).
- - Sales Tax: May be reimbursed under exceptions noted above where tax-exempt status was unavailable (MGL c.64H §6(d)).
- - Licensing and Certification Fees: Including associated taxes, when required for employment (MGL c.41 §52).
- - Motor Vehicle Excise Tax: Towns may be responsible for excise tax on municipal-owned vehicles in special cases (MGL c.60A).

TAXES TOWNS CANNOT PAY OR REIMBURSE FOR:

- - Employee Income Taxes (state or federal);
- - Personal Property and Excise Taxes (e.g., car excise);
- - Employee Payroll Taxes (e.g., FICA, Medicare);
- - Sales Tax on personal or non-approved purchases.

Relevant Massachusetts General Laws (MGL):

- - MGL c.64H §6(d) – Sales Tax Exemption
- - MGL c.64G & c.64L – Meals and Lodging Taxes
- - MGL c.60A – Vehicle Excise Tax
- - MGL c.41 §52 – Claims Approval and Documentation
- - MGL c.44 §53 – Use of Public Funds

Questions regarding this policy should be directed to the Accounting Department or the Town Administrator.

Print Name:

Signature:

Position:

Date: