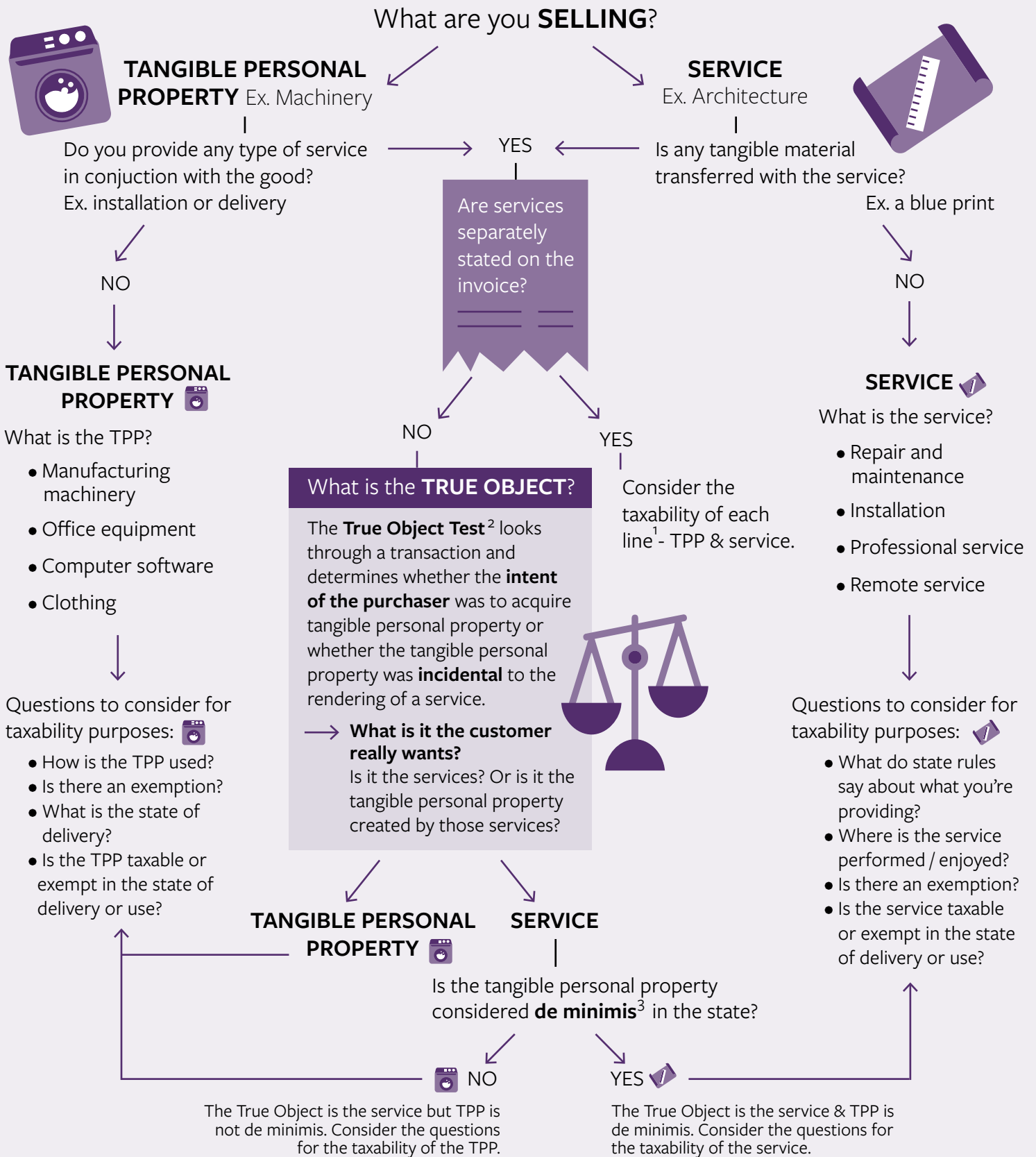


TRUE OBJECT TEST DECISION DIAGRAM



SALES TAX
INSTITUTESM



¹ If the service is taxable, but the item is exempt, the service should also be exempt.

² **Other Names for the True Object Test:** Essence of transaction (Texas); Incidental to service (Michigan); Real object (Rhode Island); Primary function; Dominant purpose; Primary object

³ **De minimis:** a percentage used to determine the predominant cost in a service transaction. If a small amount of materials/tangible property is included as part of your service, depending on the state and the amount, the service could still be tax exempt. SST uses a 10% de minimis rule, TX uses 5%, IL typically uses 35%.