

CORRECTING SALES TAX ERRORS

SALES TAX

Correcting sales tax may be done several ways depending on how much of an audit trail you want. The best way is listed first, then the quick and easy, no audit trail way.

Correcting Sales Tax Errors With Audit Trail

1. Enter a miscellaneous inventory item (Stock code M - and enter a GL clearing account) in Inventory File Maintenance (Example: TAXCORR for Tax Correction). If everything is done correctly, there will be a debit and credit for the same amount posted to the account leaving a net of zero.

The screenshot shows the 'Inventory File Maintenance' window. The 'Location' is set to '1'. The 'Description' is 'TAX CORRECTION'. The 'Item' is 'TAXCORR', with 'Hold' set to 'N' and 'Stock' set to 'M'. The 'Misc GI' is '20400-100' with a search icon, and 'Sales Tax Collector' is also visible. The 'Dept No' is '9999' with a search icon. Below these are fields for 'Pack Kind', 'Weight', 'Decimals' (set to 2), 'Vendor', 'Fuel Type', 'Misc Code', 'Packfactor' (1.00), 'Subfactor' (1.00), 'Sequence No', 'Venfactor' (1.00), 'Tax Type', 'Tanked' (N), 'Pack UOM', 'Sub UOM', 'Ret UOM', 'Ven UOM', 'Blend Code' (N), and 'Terminal'. The 'Reorder Pt' is blank, 'On Hand' is 0.00, 'Lst Cost' is 0.000000, 'Type Code' is blank, 'Max Level' is blank, 'Pending' is 0, 'Ven Cost' is 0.000000, 'Tax Code' is blank, 'Order Qty' is blank, and 'Sale Tax' is N. The 'Price Code' is M, and there are fields for Mk1/Pr1 through Mk5/Pr5 and a 'Price Chart' search icon. At the bottom, there are buttons for 'Edit', 'New', 'Next', 'Prev', 'Delete', 'Duplicate', 'Exit', 'Sales', 'Eifo', 'Audit', and 'AP Purch'.

2. Enter an invoice in Sales Invoice Entry for the customer who was charged incorrectly.

3. On the Line item screen, add a line using TAXCORR as the item number. Quantity will be -1 or +1 depending on if they were billed tax and should not have been or visa versa. In this example, lets say an exempt customer was charged sales tax in error. Enter quantity of -1. The amount will be the amount of the taxable merchandise (let's say 1000.00). The Sales Tax code should be Y since the customer originally was charged tax. The extended line would be -1000.00.

4. Enter a second line item using TAXCORR as the item number. Quantity will be 1 and the amount the same as the first item (1000.00). The Sales Tax code should be N so that no sales tax is calculated for this line item.

Invoice Entry

Invoice 54324 02/29/2016 Customer BLUE Blue Farm Ship To 1

Loc 1 Item TAXCORR TAX CORRECTION

| Pack Kind | Gross | N/G | Net Gal | Price | Tax Dol | Stx | Total |
|-----------|-------|-----|---------|----------|---------|-----|----------|
| | 1.00 | N | 1.00 | -1000.00 | 0.00 | Y | -1000.00 |

GL Account 20400-100 Sales Tax Collected - Jobber Blend N

Edit Add Ln New Inv Next Prev Delete Print Exit Payment Header Email

Press Edit button to edit the highlighted invoice line item.

| Location | Item Sold | Gross Qty | Net Qty | Price | FTaxRate | STax | Linetot |
|----------|-----------|-----------|---------|------------|----------|------|----------|
| 1 | TAXCORR | 1.000 | 1.000 | -1000.0000 | 0.000000 | Y | -1000.00 |
| 1 | TAXCORR | 1.000 | 1.000 | 1000.00000 | 0.000000 | N | 1000.00 |

| Subtotal | Taxable | SalesTax | Fuel Tax | Discount | Total | Payment | Balance |
|----------|----------|----------|----------|----------|---------|---------|---------|
| 0.00 | -1000.00 | -100.00 | 0.00 | 0.00 | -100.00 | 0.00 | -100.00 |

FedTax 0.00 StTax 0.00 CntyTax 0.00 City Tax 0.00

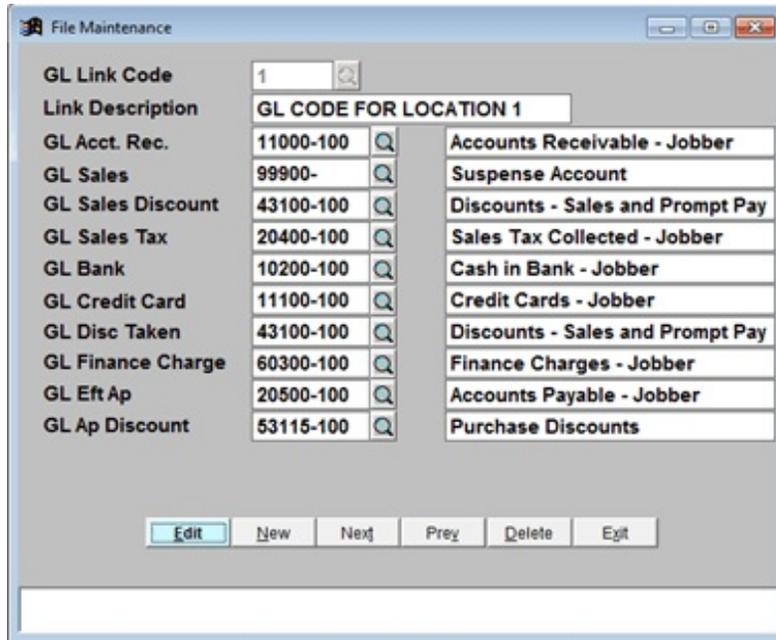
5. Quit line item entry. The sales tax amount at the bottom should be negative and the invoice amount a credit for the amount of the sales tax. When updated, this will put a credit on the customer's account equal to the amount of the overcharged tax. Taxable sales will be 1000.00 less and non-taxable sales will be 1000.00 more. Sales tax errors do not have to be corrected in the month they occur. This correction will be reflected in your current month taxable sales.

This procedure gives you a complete audit trail and corrects the tax reports.

If you decide to manually correct your sales tax reports and are only interested in crediting the tax on the customer's account, here are two quick and easy ways to remove it.

1. If you are not linked to General Ledger or you will make a manual entry to remove the tax from the Sales Tax Payable Account, you may go into Accounts Receivable Cash Receipts entry and discount the sales tax.

This will remove it from the customer's account and credit AR in the General Ledger. The debit transaction will go to the 'GL Sales Discounts Taken' account. To see what this account is, go to AR Release to General Ledger and display link code 1.



2. A second option would be to go into 'Post Invoices' in the AR menu and enter a credit memo.

| PRACTICE CO 6.30 *** POST MANUAL INVOICES *** 12/29/95 | | | | | | | | | |
|--|------------------------------|-------------|--------------|----------|----------------|-------------|-------------|----------|-------------------|
| Invno | 99987 | 2 | Type | 1 | Charge Invoice | 3 | Custno | 333 | |
| Name | HARPER CONSTRUCTION | | | | 4 | Tax Exempt? | N | OK? | (Y/N/Q) Y |
| Address1 | 412 MELROSE PLACE | | | | | Tax1 | 0 | None | |
| Address2 | | | | | | Tax2 | 0 | None | |
| Address3 | SAN ANTONIO, TX 78222 | | | | | Tax3 | 1 | 7.7500 | SAN ANTONIO |
| Tax Rate | 7.7500 | | | | | Tax4 | 0 | None | |
| 5 | Descr | TAX CORRECT | 6 | Salesman | BJ | 7 | Terms | 1 | 2.00% 10TH/NET 30 |
| 8 | Inv Dte | 12/29/95 | 9 | Due Date | 01/28/96 | 10 | Disc Date | 01/08/96 | |
| 11 | Subtotal | -7.25 | 12 | Disc Due | 0.00 | 13 | Taxable | 0.00 | |
| 14 | Tax | 0.00 | | | | 15 | Total | -7.25 | |
| 16 | State Tax | 0.00 | | | | 17 | Fed Tax | 0.00 | |
| 18 | Ref No | | 19 | Cash | | 20 | Credit Card | | |
| | Balance | 34348.58 | Credit Limit | 99999.00 | Last Paymt | 10/19/95 | | | |
| | Enter Field Number to Change | D | Delete | C | Continue C | | | | |

This will give you an audit trail, but the GL account number for the debit part of the transaction will also come from the link code - GL Sales Account - and will not be correct. Taxable and non-taxable sales will not be corrected on the sales tax reports if you use this option.

PRACTICE CO 6.30 *** ENTER CUSTOMER PAYMENTS *** 03/22/1999

| CUST NO. REF | HARCON DATE | HARPER CSH | CONSTRUCTION CR CRD | BALANCE TOT | 34341.33 | OK? |
|-----------------|----------------|---------------|------------------------|----------------|----------|-------------|
| LN INVNO | INV DATE | DUE DATE | BALANCE | PAYMENT | DISCNT | NEW BAL OK? |
| 13 1021 | 03/28/1999 | 03/28/1999 | 123.09 | 0.00 | 0.00 | 123.09 |
| 14 99987 | 03/29/1999 | 03/28/1999 | -7.25 | 0.00 | 0.00 | -7.25 |

ENTER Line # G=GL Code P=Payment M=Apply Cr Memo Q=QUIT
A=Pay All S=Scan R=Reverse Entry UNAPPLIED 0.00 Q

TO APPLY OPEN CREDITS, ASK FOR LINE NUMBER OR PAY ALL