

Correcting Sales Tax Issues

Chapter 6

Tax amounts may be incorrect on sales forms, for the following reasons.

- Tax status is incorrect for product or service.
- Tax status is incorrect for customer.
- Tax rates have changed since the book was published.

Tax Issues Related to Tax Status of a Customer and/or a Product / Service		Tax Issues Related to Changes in Sales Tax Rates or Rounding
Issue:	There is sales tax when there should not be any.	There is no sales tax and there should be some.
How to Fix:	<p>I. Check Product / Service Tax Status: Review the tax column on an invoice or sales receipt to see if it is properly checked or unchecked.</p> <p>If a change needs to be made to the tax status of a product or service, click See the math and change accordingly. NOTE: Any change made to product/service tax status is a permanent change that will carry forward.</p> <hr style="width: 50%; margin-left: 0;"/> <p>III. Check Customer Tax Status: Click See the math and confirm that the tax status of the customer is correct and/or update accordingly.</p> <p>NOTE: Any change made to customer status is a permanent change that will carry forward.</p>	<p>II. Click See the math on the sales tax amount and review the tax rate / manually adjust for rounding.</p>
		The amount of sales tax is off by pennies.

Below are screen shots on how to make the fixes identified above:

I. Check/ Change the tax status of a product / service:

Open the invoice or sales receipt and check to see if the Tax box is checked for the taxable product or service. Update the checkbox as appropriate. (**Checked** for taxable, **unchecked** for non-taxable).

#	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT	TAX
1	Tutoring:Refresher	Refresher (One Hour Session)	1		50.00	<input checked="" type="checkbox"/>
2						<input type="checkbox"/>

Tax field is checked.

#	PRODUCT/SERVICE	DESCRIPTION	QTY	RATE	AMOUNT	TAX
1	Tutoring:Refresher	Refresher (One Hour Session)	1		50.00	<input type="checkbox"/>
2						<input type="checkbox"/>

Tax field is not checked.

If you will want to permanently change the tax status of a product or service while in the invoice or sales receipt.

- Click [See the math](#) on the form to open a sidebar.

Subtotal	\$50.00
Taxable subtotal	\$50.00
Select tax rate	
Based on location	\$4.38
See the math	
Discount percent	\$0.00
Total	\$54.38
Balance due	\$54.38

- Select the [Edit](#) in the Products and services section

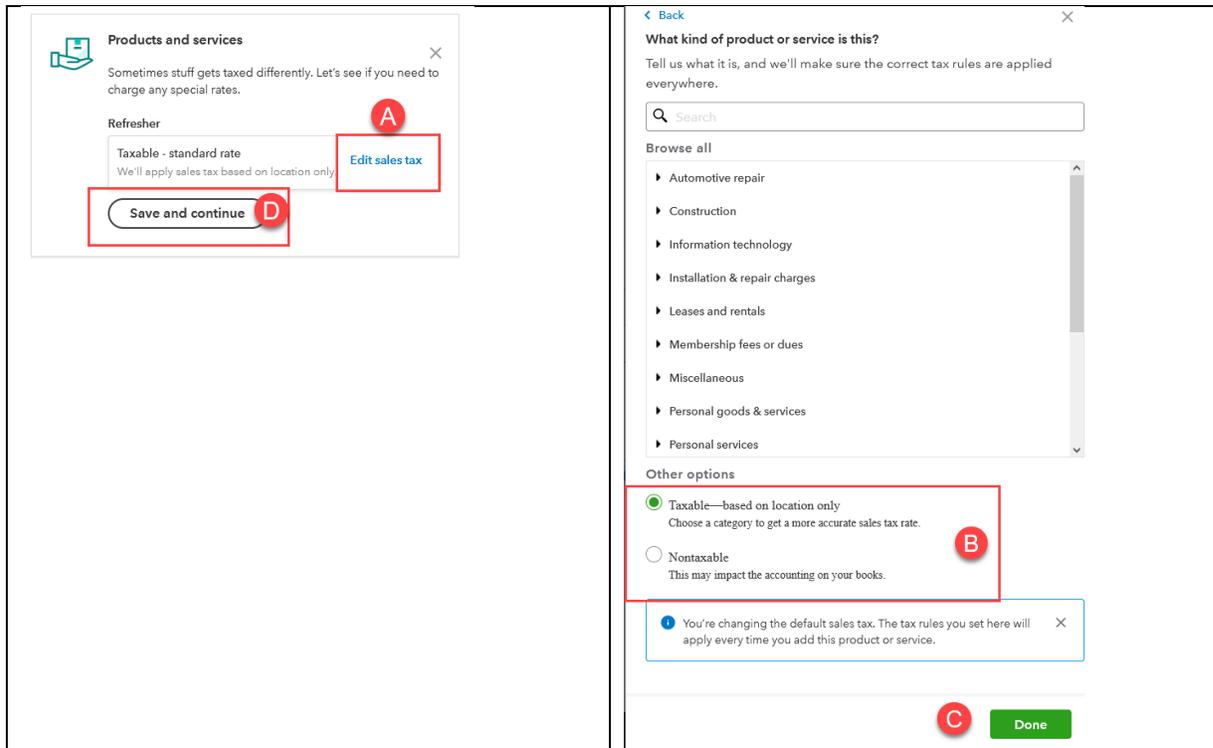
 **Products and services** [Edit](#)

Manage the tax rates being applied to each line item on your invoice:

PRODUCT	SALES TAX AMOUNT
▶ Refresher Uncategorized - standard rate applied	\$4.38
Total sales tax	\$4.38

[Override this amount](#)

- Select (A) **Edit sales tax** and then select the appropriate tax status in the (B) **Other options** area. Select (C) **Done** and select (D) **Save and continue**. The product / service record will automatically be updated for the new status.

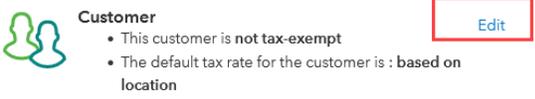
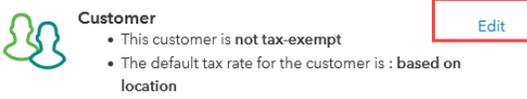
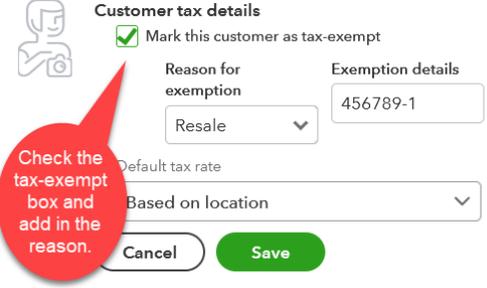
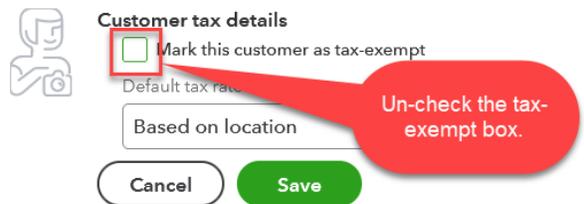


- Select **Close** to return to the invoice or sales receipt.

II. Check / Change the customer tax status while in an invoice or sales receipt.

- Click **See the math** on the form to open a sidebar.

	Subtotal	\$50.00
	Taxable subtotal	\$50.00
Select tax rate	Based on location	\$4.38
		See the math
Discount percent		\$0.00
	Total	\$54.38
	Balance due	\$54.38

To change the customer from taxable to tax exempt	To change the customer from tax exempt to taxable
<ul style="list-style-type: none"> Click Edit in the top right corner of the customer section of the sidebar. 	<ul style="list-style-type: none"> Click Edit in the top right corner of the customer section of the sidebar.
	
<ul style="list-style-type: none"> Check the This customer is tax-exempt box (top of sidebar) and complete the reason for exemption and the exemption details. Select Save. 	<ul style="list-style-type: none"> Uncheck the This customer is tax-exempt box (top of sidebar). Select Save.
	

- Click **Close**.
- The customer record will automatically be updated for the new status.

III. Manually adjust sales tax due to a sales tax rate change.

If the amount on your invoice or sales receipt does not match the check figure by a few pennies, it is most likely due to a rounding difference in sales tax.

HINT: If you are off by more than a few pennies – the difference might be due to errors in quantities, product selection, or tax status of the customer or product. Review your invoice/sales receipt and make sure you’ve entered the correct information.

For rounding differences, you can adjust sales taxes manually as follows:

1. Open the invoice and click **See the math** under the sales tax amount in the bottom right corner of the form.

The screenshot shows an invoice summary with the following details:

Subtotal	\$50.00
Taxable subtotal	\$50.00
Select tax rate	
Based on location	\$4.38
	See the math
Discount percent	\$0.00
Total	\$54.38
Balance due	\$54.38

A red arrow points from the 'Based on location' dropdown menu to the 'See the math' link.

2. Click **Override this amount** in the products and services section of the sidebar.

The screenshot shows the 'Products and services' sidebar with the following table:

PRODUCT	SALES TAX AMOUNT
▶ Refresher Uncategorized - standard rate applied	\$4.38
Total sales tax	\$4.38

A red box highlights the 'Override this amount' link at the bottom right of the table.

3. Enter the **Amount** necessary to agree to the check number in your homework assignment and select **Other** as the **Reason**. Click **Confirm** and **Close**.

NOTE: The rate will be auto populated based on the amount entered

The screenshot shows a form for manual tax adjustment with the following fields:

Rate	8.78	% of	Amount	4.39	Reason	Other (or re...)	Confirm
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Below the form, a message states: "Just so you know, that's \$0.01 more than our calculations."