

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/> <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>

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							

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							

Tax field is not checked.

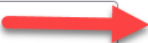
If you will want to permanently change the tax status of a product or service while in the invoice or sales receipt.

- 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.

Products and services

Sometimes stuff gets taxed differently. Let's see if you need to charge any special rates.

Refresher

Taxable - standard rate
We'll apply sales tax based on location only

A Edit sales tax

D Save and continue

What kind of product or service is this?

Tell us what it is, and we'll make sure the correct tax rules are applied everywhere.

Search

Browse all

- Automotive repair
- Construction
- Information technology
- Installation & repair charges
- Leases and rentals
- Membership fees or dues
- Miscellaneous
- Personal goods & services
- Personal services

Other options

☒ Taxable—based on location only
Choose a category to get a more accurate sales tax rate.

☐ Nontaxable
This may impact the accounting on your books.

B

C Done

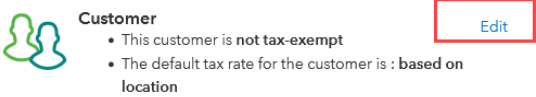
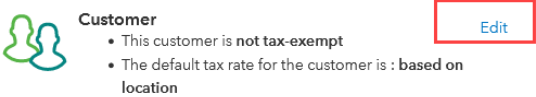
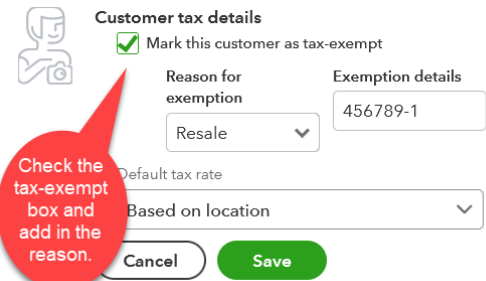
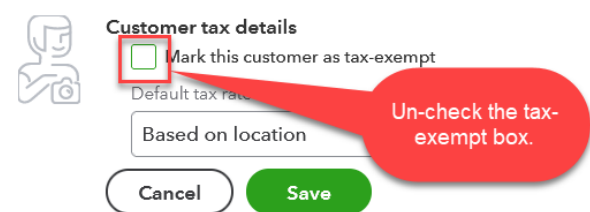
You're changing the default sales tax. The tax rules you set here will apply every time you add this product or service.

- 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 the bottom right corner of an invoice form. It includes a 'Subtotal' of \$50.00, a 'Taxable subtotal' of \$50.00, and a 'Select tax rate' dropdown menu set to 'Based on location'. A red arrow points from the dropdown to a 'See the math' link. Below the dropdown is a 'Discount percent' field. The 'Total' is \$54.38 and the 'Balance due' is \$54.38. The sales tax amount of \$4.38 is shown above the 'See the math' link.

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

2. Click [Override this amount](#) in the products and services section of the sidebar.

The screenshot shows the 'Products and services' sidebar. It has a title 'Products and services' with an 'Edit' link. Below the title is a description: 'Manage the tax rates being applied to each line item on your invoice:'. There is a table with two columns: 'PRODUCT' and 'SALES TAX AMOUNT'. The table has one row for 'Refresher' with a tax amount of \$4.38. Below the table is a 'Total sales tax' of \$4.38. A red box highlights the 'Override this amount' link at the bottom right.

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

[Override this amount](#)

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 manually overriding the sales tax. It has a 'Rate' field with '8.78' and a '% of' label. There is an 'Amount' field with '4.39' and a 'Reason' dropdown menu with 'Other (or re...' selected. A green 'Confirm' button is to the right. A red box highlights the 'Amount' and 'Reason' fields. Below the form, a message says: 'Just so you know, that's \$0.01 more than our calculations.'

Rate	8.78	% of	Amount	4.39	Reason	Other (or re... ▼	Confirm
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Just so you know, that's \$0.01 more than our calculations.