Correcting Sales Tax Issues

Chapter 6

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

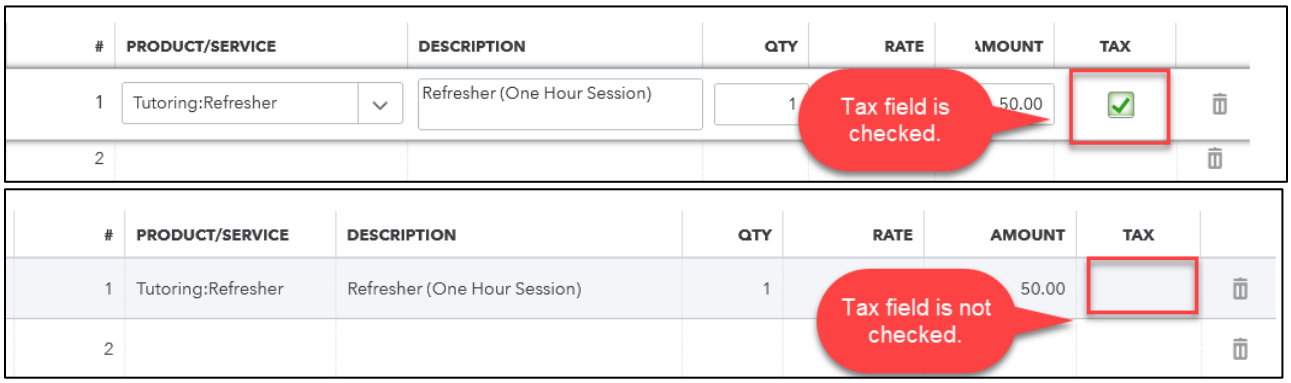
- Tax status is incorrect for the product or service.
- Tax status is incorrect for the customer.
- Tax rates have changed since the book was published.

	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.	The amount of sales tax is off by pennies.
How to Fix:	**I. Check Product / Service Tax Status:** Review the tax column on an invoice or sales receipt to see if it is appropriately checked or unchecked. 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. **III. Check Customer Tax Status:** Click ***See the math*** and confirm that the tax status of the customer is correct or update accordingly. NOTE: Any change made to customer status is a permanent change that will carry forward.		**II.** Click ***See the math*** on the sales tax amount and review the tax rate / manually adjust for rounding.

Below are screenshots on how to make the fixes identified above:

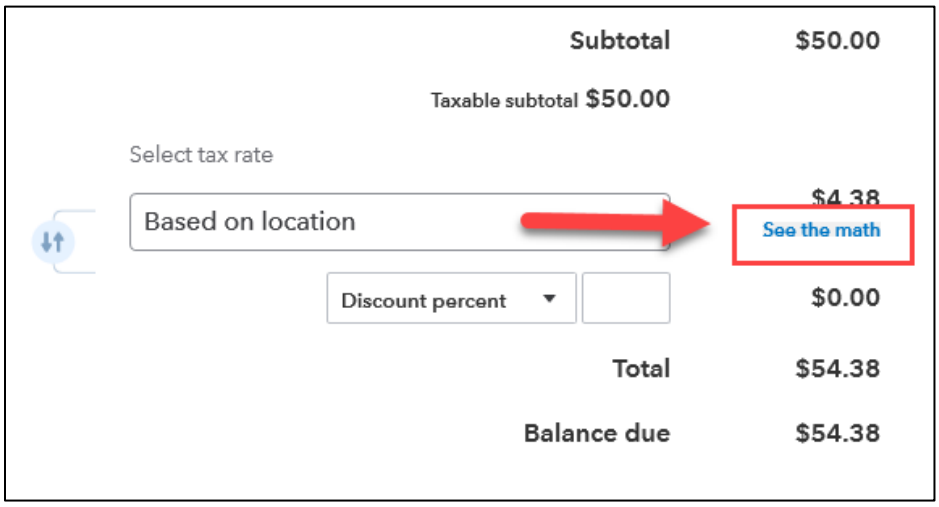
I. Check/ Change the tax status of a product/service:

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).

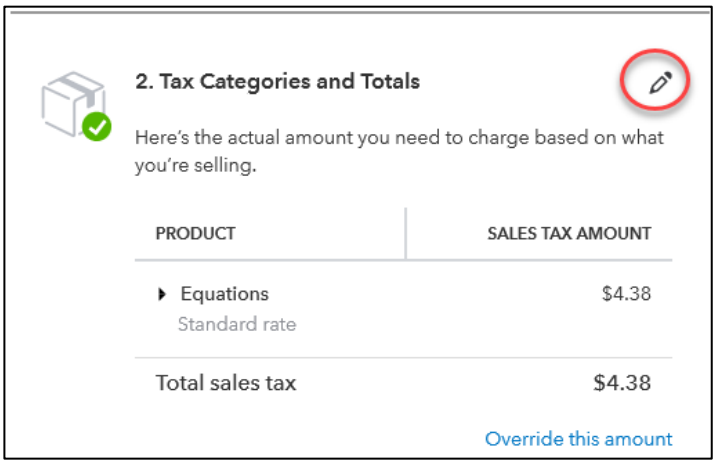


Next, you will want to permanently change the tax status of a product or service while in the invoice or sales receipt.

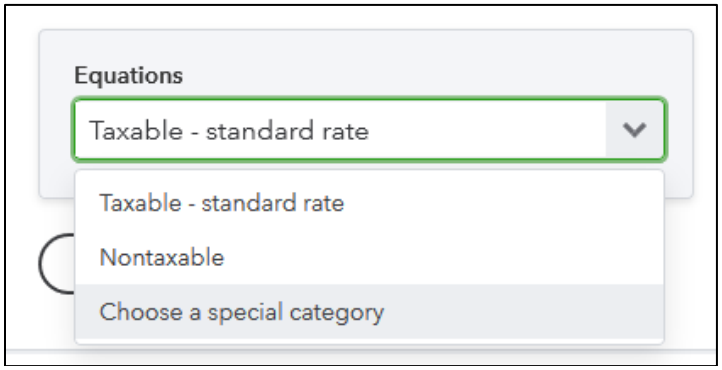
- Click **See the math** on the form to open a sidebar.



- Select the **pencil icon** in the Tax Categories and Totals section



- Change the tax status as appropriate for the appropriate product/service. The product/service record will automatically be updated for the new status.

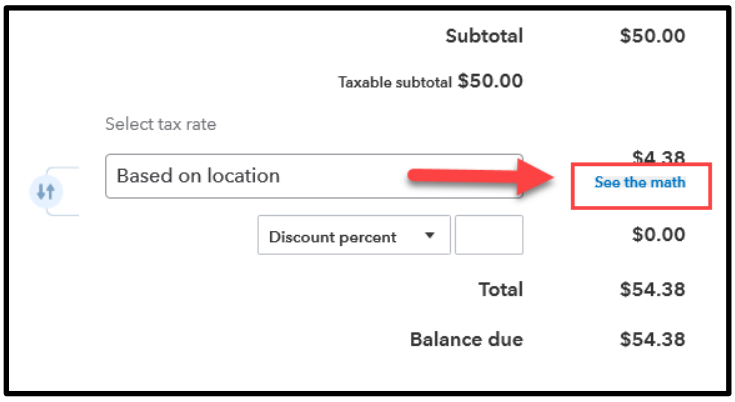


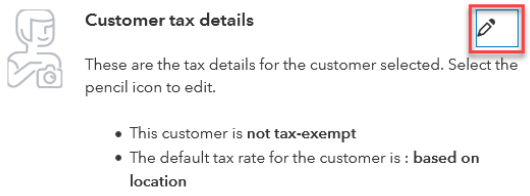
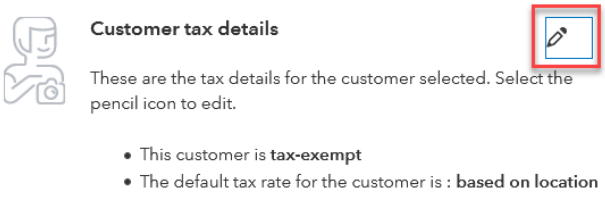
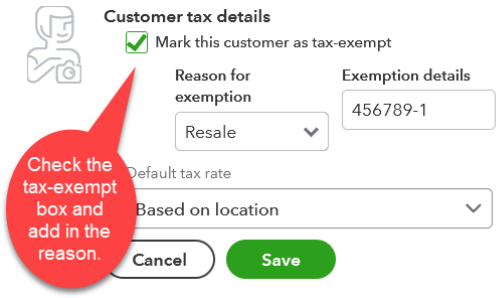
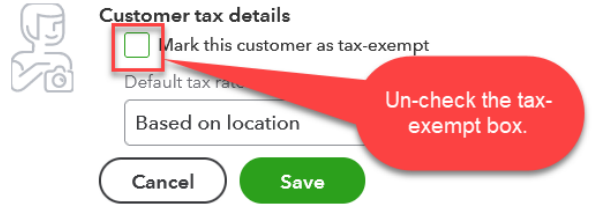
- Select **Save and continue**
- Select **Close** to return to the invoice or sales receipt.

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.



To change the customer from taxable to tax-exempt	To change the customer from tax-exempt to taxable
• Click the **pencil** in the top right corner of the sidebar.	• Click the **pencil** in the top right corner of the sidebar.
	
• **Check** the **This customer is tax-exempt** box (top of sidebar) and complete the reason for exemption and the exemption details. Select **Save**.	• **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.

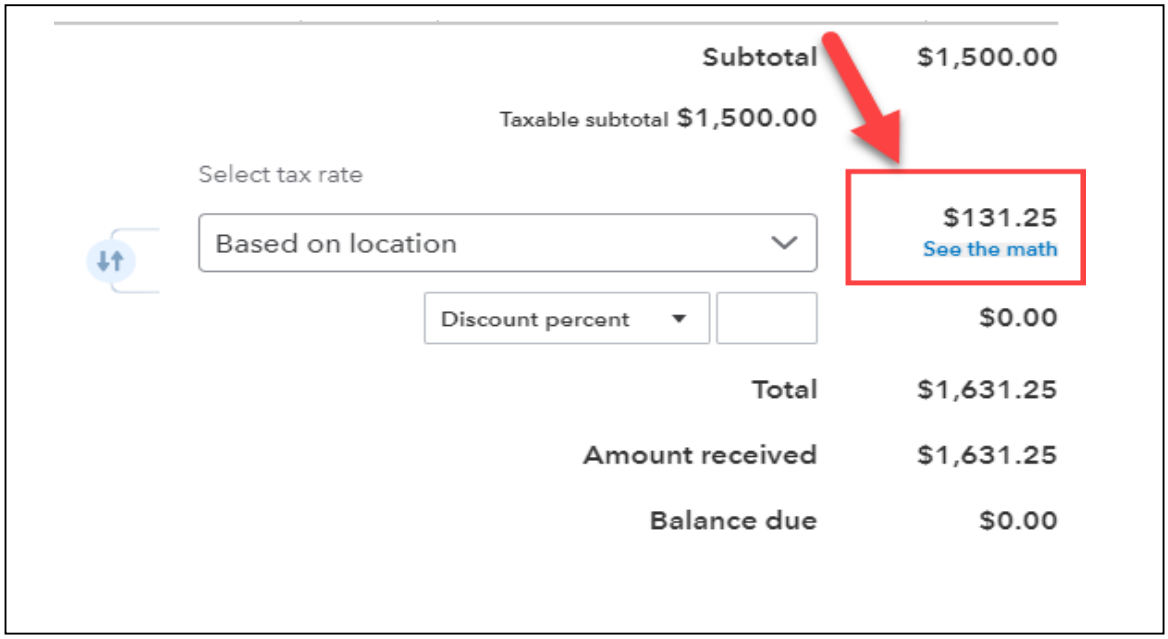
III. Manually adjust sales tax due to a sales tax rate change.

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.

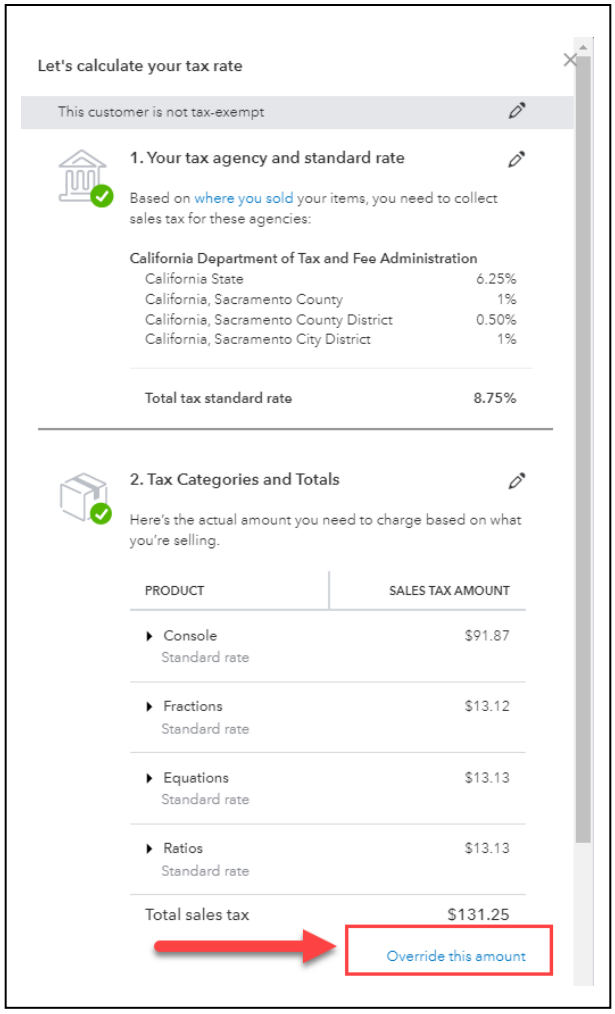
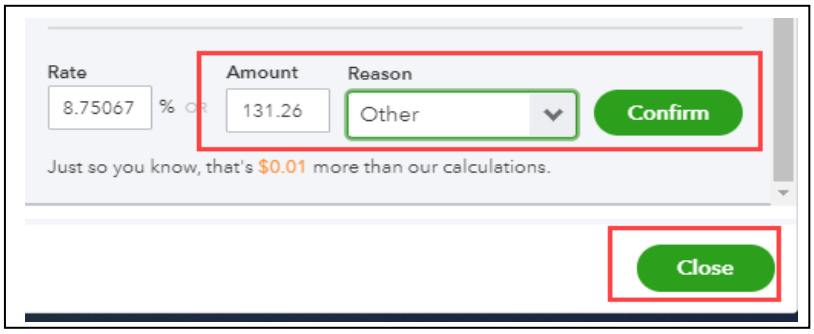
HINT: If you are off by more than a few pennies – the difference might be due to errors in quantities, product selection, or tax status of the customer or product. Review your invoice/sales receipt and make sure you've entered the correct information.

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.



2. Click **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**.