

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:	<p>There is sales tax when there should not be any.</p> <p>There is no sales tax, and there should be some.</p>	The amount of sales tax is off by pennies.
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 appropriately 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> <p>III. Check Customer Tax Status: Click See the math and confirm that the tax status of the customer is correct 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 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).

#	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							

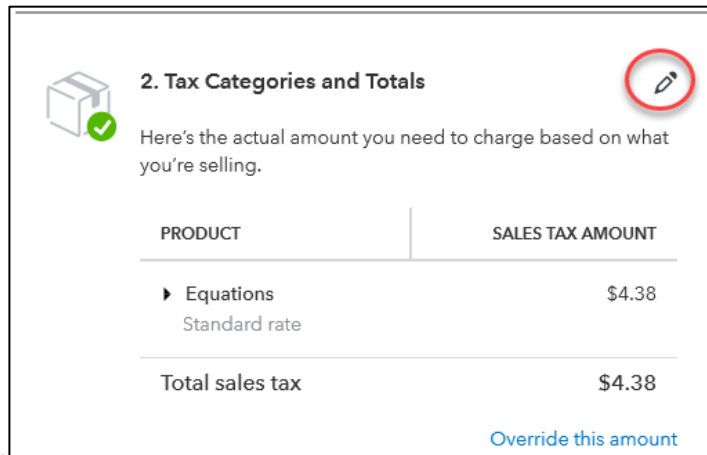
Tax field is not checked.

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.

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 [pencil icon](#) in the Tax Categories and Totals section



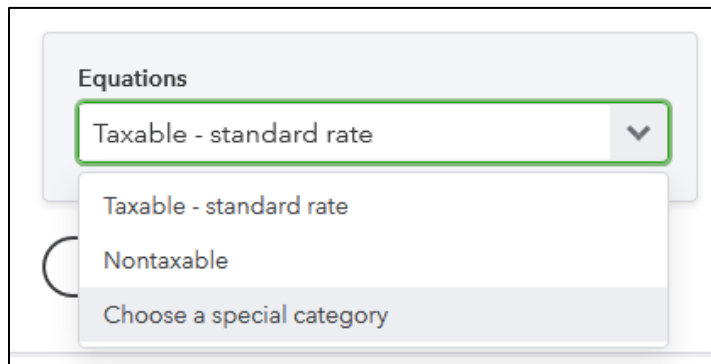
2. Tax Categories and Totals

Here's the actual amount you need to charge based on what you're selling.

PRODUCT	SALES TAX AMOUNT
▶ Equations Standard rate	\$4.38
Total sales tax	\$4.38

[Override this amount](#)

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



Equations

Taxable - standard rate ▼

Taxable - standard rate

Nontaxable

Choose a special category

- 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.

Subtotal \$50.00

Taxable subtotal \$50.00

Select tax rate

Based on location [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 the pencil in the top right corner of the sidebar. 	<ul style="list-style-type: none"> Click the pencil in the top right corner of the sidebar.
<p>Customer tax details</p> <p>These are the tax details for the customer selected. Select the pencil icon to edit.</p> <ul style="list-style-type: none"> This customer is not tax-exempt The default tax rate for the customer is : based on location 	<p>Customer tax details</p> <p>These are the tax details for the customer selected. Select the pencil icon to edit.</p> <ul style="list-style-type: none"> This customer is tax-exempt The default tax rate for the customer is : based on location
<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.
<p>Customer tax details</p> <p><input checked="" type="checkbox"/> Mark this customer as tax-exempt</p> <p>Reason for exemption: Resale</p> <p>Exemption details: 456789-1</p> <p>Default tax rate: Based on location</p> <p>Cancel Save</p>	<p>Customer tax details</p> <p><input type="checkbox"/> Mark this customer as tax-exempt</p> <p>Default tax rate: Based on location</p> <p>Cancel Save</p>

- Click [Close](#).
- The customer record will automatically be updated for the new status.

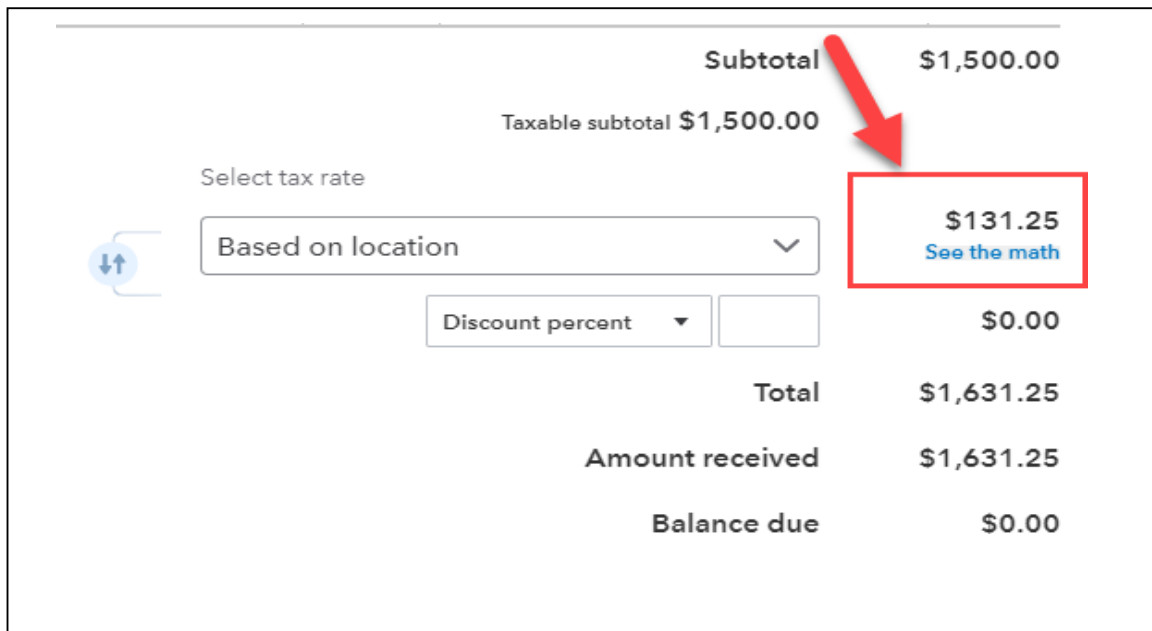
III. Manually adjust sales tax due to a sales tax rate change.

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 a QuickBooks invoice form. At the top right, the Subtotal is \$1,500.00. Below it, the Taxable subtotal is \$1,500.00. On the left, there is a 'Select tax rate' dropdown menu set to 'Based on location'. Below this is a 'Discount percent' dropdown menu. On the right, the sales tax amount is \$131.25, with a link 'See the math' below it. A red arrow points to this link. Below the sales tax amount, the Total is \$1,631.25, the Amount received is \$1,631.25, and the Balance due is \$0.00.

Subtotal	\$1,500.00
Taxable subtotal	\$1,500.00
Select tax rate	Based on location
Discount percent	
Total	\$1,631.25
Amount received	\$1,631.25
Balance due	\$0.00

2. Click **Override this amount**.

Let's calculate your tax rate

This customer is not tax-exempt

1. Your tax agency and standard rate

Based on **where you sold** your items, you need to collect sales tax for these agencies:

California Department of Tax and Fee Administration	
California State	6.25%
California, Sacramento County	1%
California, Sacramento County District	0.50%
California, Sacramento City District	1%
Total tax standard rate	
	8.75%

2. Tax Categories and Totals

Here's the actual amount you need to charge based on what you're selling.

PRODUCT	SALES TAX AMOUNT
▶ Console Standard rate	\$91.87
▶ Fractions Standard rate	\$13.12
▶ Equations Standard rate	\$13.13
▶ Ratios Standard rate	\$13.13
Total sales tax	\$131.25

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**.

Rate: 8.75067 % OR Amount: 131.26 Reason: Other **Confirm**

Just so you know, that's \$0.01 more than our calculations.

Close