



QuickBooks® for Contractors Newsletter

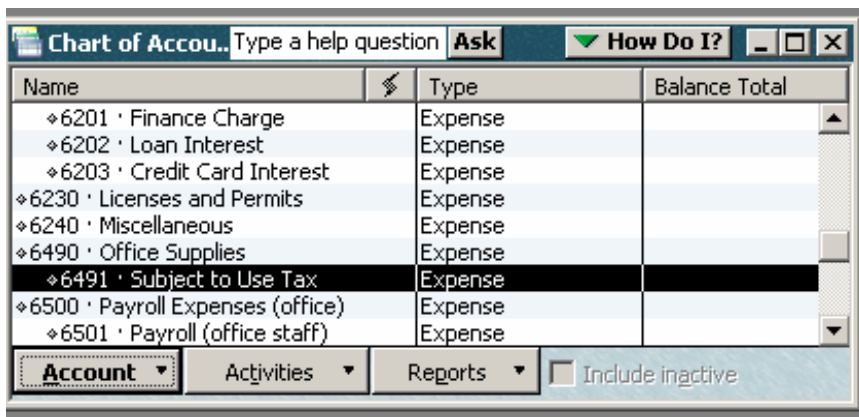
Tracking Use Tax

Many states impose Use (or Usage) Taxes on purchases that are shipped to you from a different state than the one in which you have your business, this is becoming more common as we purchase more items on the internet, and generally the purpose of Use Tax is to equalize the tax burden when buying from in-state and out of state vendors.

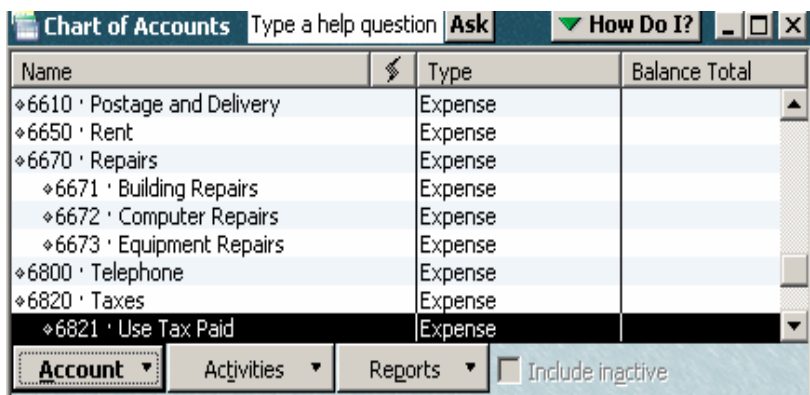
While QuickBooks does an excellent job of tracking Sales Tax, even when you have to collect Sales Tax from multiple jurisdictions, it does not automatically calculate your use tax for you - - - but it is possible to track Use Tax using the following method.

Tracking Use Tax

1. Determine what types of items that you need to pay Use Tax on – this could be materials you use on your jobs or office supplies that you purchase over the internet.
2. Go to your Chart of Accounts, and create sub-accounts of your normal materials or office supplies account; naming these sub-accounts Subject to Use Tax.



3. Use these accounts when you enter you Enter Bills, Write Checks, or record Credit Card Charges.
4. Go to your Chart of Accounts and create a sub-account of the main Taxes Expense account and call it Use Tax Paid.



Determining and Recording your Use Tax Liability

Now, let's suppose that you are ready to file your Sales & Use Tax Return, and you have posted each material or office supply purchase to its appropriate sub-account.

1. Run a Profit & Loss Report for the period, changing the Report Basis of Cash or Accrual appropriately
2. Scroll down the Profit and Loss until you find your appropriate Subject to Use Tax sub-account, zoom in on the total dollar amount and then print it out. Repeat if you have multiple "Subject to Use Tax" accounts.
3. On the print out take the total dollar amount of the account and multiply it by the Use Tax percentage – this becomes your Use Tax Liability.
4. Go to your Chart of Accounts, find the Sales Tax Payable Other Current Liability Account and double-click on it to open the register.
5. The **Date** of the transaction should be the last day of the filing period you are reporting.
6. The **Vendor** should be your usual Sales Tax Vendor.
7. Enter the total amount of your Use Tax Liability that you manually calculated in the **Billed** column
8. Using the Account Drop down Menu, select the Use Tax Paid sub-account of Taxes.
9. In the Memo field make a note indicating that this is Use Tax for the period.

09/30/2005	35	Sales Tax		09/30/2005	0.00
	INV	1210 · Accounts Receivable [split]	Exempt from Sales Tax		
12/07/2005	38	Sales Tax		12/31/2005	0.00
	INV	1210 · Accounts Receivable [split]	Exempt from Sales Tax		
12/31/2005	3	Sales Tax			155.26
	GENJRNL	6820 · Taxes:6821 · Use Tax Paid	Use Tax for 4th Quarter 2005		
12/31/2005					

Paying your Sales & Use Tax

When you are ready to cut the check for your Sales & Use Tax Return, go to the Vendors Menu; choose Sales Tax and Pay Sales Tax. This will open a window like the one shown below.

The first line shows the amount of Sales Tax that is due for the period and the second line shows the amount of Use tax for the period.

P...	Item	Vendor	Amt. Due	Amt. Paid
	CA Sales Tax	Sales Tax	2,558.41	0.00
		Sales Tax	155.26	0.00
Totals			2,713.67	0.00

Ending Bank Balance: -180.00

To be printed

Complete and mail your return.

The QuickBooks 2006 Help file does offer an alternative method for tracking Use Tax, but I have found this one to be very reliable for years.

To read about the alternative method for tracking Use Tax, in QuickBooks go to the Help Menu, choose QuickBooks Help, select the Search Tab, and type in **How do I track Use Tax**, and choose the topic called **Calculating and tracking use (or usage) taxes**. This topic does contain some very useful information for checking your states sales tax requirements, with links to state sales tax departments.

Important Notes:

Because this method works off your Profit & Loss Reports you can easily run checks and balances to be sure that you have made the correct payment amounts by simply running a P&L from the beginning of the year to the end of the current filing period and making sure that the amount shown in the Use Tax Paid section is indeed the liability for the totals in your Subject to Use Tax sections.

This method also assumes that you have recorded all bills, checks, and credit card charges for the period in a timely fashion and have not delayed entering a bill because you were expecting a credit.

Use the section below for your own notes, such as account names, current Use Tax Liability, etc.



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