SOP U.S. TAX CODES

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TABLE OF CONTENTS

BACKGROUND

Sales tax is collected on all sales made to customers in locations in which the company maintains a tax nexus. For sales made outside of a company's nexus, sales tax is not collected.

Note: This SOP is intended for companies located in the United States that sell to customers in the U.S. It is not relevant for companies located outside the United States.

AIMS

- To load U.S. tax codes into *Priority*.
- To define tax accounts and associate them with tax codes based on state, county and zip code.
- To associate a tax code with a customer, customer site or sales document.
- To generate sales tax reports.

PROCEDURE

STAGE ONE: LOADING SALES TAX CODES INTO THE SYSTEM

Run the Update Tax Codes program.

Notes:

- The first time the program is run, all available tax codes and their respective rates will be automatically loaded into *Priority*, and are available in the Taxes form and its Rates per Tax Group sub-level. Subsequent running of the program will update the form with the most current data. It is recommended that the program be run on a monthly basis.
- When the program is run, the following columns in the Taxes form are filled in automatically: Zip Code, County, City, State and State Code.

STAGE TWO: ASSOCIATING TAX CODES WITH TAX ACCOUNTS

1. Create a tax account in the general ledger for each state in which the company operates.
2. Open the Countries form and retrieve the record for the United States.
3. In the States sub-level form, associate a tax account with each relevant state using the Sales Tax Account column.

Note: You can also associate an account with a specific tax code using the Taxes form. In such a case, this definition will override the one at the state level.

STAGE THREE: ASSIGNING SALES TAX CODES BASED ON CUSTOMER ADDRESSES

Tax codes may be assigned at multiple levels – to customers, customer sites and individual sales documents. A definition at the customer site level overrides one made at the customer level, while a definition at the sales document level only affects the document itself or other documents linked to it.

When a zip code is recorded, the Tax Code column will be filled in automatically with the appropriate code. If the column remains blank, it means that there are multiple tax codes for the given zip code, and the appropriate one must be selected from the Choose list.

- To define a tax code for a customer, enter the Customers form, retrieve the desired customer and record their Zip Code. The Tax Code will be filled in automatically.
- To define a tax code for a customer site, enter the Customer Sites sub-level of the Customers form, and record the Zip Code of the site. The Tax Code will be filled in automatically.
- To define a tax code for a sales document, enter the Shipping Address sub-level within the relevant sales document and record the Zip Code for this document. The Tax Code will be filled in automatically.

STAGE FOUR: GENERATING SALES TAX REPORTS

You can run sales tax reports from the Sales Tax menu (menu path: Financials > General Ledger > Financial Statements > Taxes). For example:

- Tax by State – Displays all sales tax collected over a given period, by state.
- Tax by State (Detailed) – Displays all sales tax collected over a given period, by state and customer.