

Setting Up and Using Tax Codes

You can create tax codes for different tax rates and set up default tax codes for your store, customers, and SKUs.

Objectives

- Setting Up Tax Codes
- Configuring Default Tax Codes

Setting Up Tax Codes

You can create separate codes for each tax rate required in *Tax Code Maintenance*. From the Home Center, enter MTX in the *Launch* bar or select *Tax Code Maintenance* from the *Accounts Receivable* folder.

Create separate tax codes for each tax rate. The *Tax Code* field is *alphanumeric*, and you can enter up to *three characters*. The tax code helps in identifying different tax rates. Enter the tax percentage in the *Tax Rate* field. Specify who collects this tax in the *Location* field. For example, if you are configuring a state sales tax, enter the name of the state.

Choose a rounding option in the *Rounding* drop-down field that conforms to the policy of your taxing authority.

Option R adjusts the amount to the nearest cent.

Options U and *4* round up to the 3rd and 4th decimal places, respectively.

Truncate cuts off whatever is in the thousandth place.

If your region calculates taxes based on a tax card, use the *Tax Table* drop-down to calculate your tax amount. Choose the type of tax table that the card uses – *ceiling* or *repeating*.

In the *Minimum* and *Maximum Taxable Amount* fields, enter the minimum and maximum dollar amounts if your business does not charge tax *below* or *above a certain purchase amount*.

Select the *Include in Taxable Amount* link to include or exclude freight, labor, miscellaneous or environmental fees when calculating taxes.

Choose *Add* when you are finished defining the code. Select *Change* to apply the changes if you are modifying an existing one. The sales tax details appear once you save the tax code and apply it to sales.

Configuring Default Tax Codes

In this topic, we show how to configure default tax codes for your store, customers, and SKUs.

Enter OPT in the *Launch* bar. In the *Options* window, if you do not see the *Subsystem* field, select *change lookup*. From the *Options* drop-down field, select *MCT – A/R Control File*. Select *Display* to view the available options.

Find *Customer Default – Tax Code* in the list of options. Put the cursor in the *Current Value* column and enter the tax code. Select *Change* to save the default tax code.

You can assign default tax codes to customers whose tax code differs from the store's default tax code. On the *Main* tab in *Customer Maintenance*, use the *Tax Code* drop-down field to set the default code for this customer.

As a best practice, avoid assigning default tax codes to customers who use the store's default tax code.

The customer default tax code takes precedence over the store default code.

Set the *Taxable* drop-down field to *N* if your customer is tax-exempt and you will not be charging tax to that customer.

You can assign specific tax codes to certain items that do not conform to the store's default.

On the *Codes* tab in *Inventory Maintenance*, use *Tax Status* to determine when to tax the SKU. For example, computer hardware sold to teachers is tax-exempt.

Use *Tax Code* to assign a specific tax for this SKU. Both options overrule the store and customer defaults.

You can also modify the tax code at *Point of Sale*. Put the cursor in the *Customer* field and select the *Header* button.

Choose a tax code from the *Tax* field drop-down and select *Change*.

The selected tax code applies to the entire transaction.

A common reason to do this is to accommodate the destination location tax rate when it differs from the store's default.

To remove the tax code for a specific line, select the line item and choose *No Tax*.

To change the tax code for a specific line, select *Change* and enter the line number item. Select *Ok*.

Choose *Misc* and select *Change Line Item Tax* from the *Posting Menu*.

Select the applicable tax code from the drop-down list and click *Ok*.

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