

Quickbooks Article

How to manage sales tax rates changes in Quickbooks

April 1st, 2009 our California sales tax rates were increased for many counties. Now is the time to properly handle the rate changes in Quickbooks.

A best practice is to setup a NEW item in Quickbooks rather than modifying the old rate. Modifying the old rate can create problems whenever you go back and modify a previous period invoice.

Create a new item

- Click on the menu Lists. Select Item list
- Right click NEW
- Under Type choose "Sales Tax Item"
- In the Sales Tax Name enter a short name such as LA 9.25%
- In the Description fill in "Sales Tax"
- In the Tax Rate fill in the new rate such as 9.25
- In the Tax Agency type in the vendor you pay your tax to. In California it should be the State Board of Equalization

Your item should look like this:

The screenshot shows the 'New Item' dialog box in QuickBooks. The 'Type' dropdown is set to 'Sales Tax Item'. The 'Sales Tax Name' field contains 'LA 9.25%'. The 'Description' field contains 'Sales Tax'. The 'Tax Rate (%)' field contains '9.25%'. The 'Tax Agency (vendor that you collect for)' dropdown is set to 'State Board of Equalization'. The 'Item is inactive' checkbox is unchecked. Buttons for 'OK', 'Cancel', 'Next', and 'Spelling' are visible on the right side.

After you have completed all invoicing for the periods up to the sales rate change, in this example March 31, 2009, be sure to go to the item list and inactivate the old sales tax item.

- Click on the menu Lists. Select Item list
- Right click the old sales tax item
- Make item inactive



K&K Business Solutions, Inc.

As you invoice in April, change the tax code on every invoice. Quickbooks will then prompt you to remember the new code for that customer. Double check the sales tax item before you print or email out those invoices to your customers.

Run the sales tax liability report throughout the month and see if there are any entries with the old amounts. You can then modify before the customer pays the invoice.

- Click on Reports Menu. Select Vendors & Payables
- Sales Tax Liability Report
- Review for incorrect sales tax items and correct immediately.

Call me if you have any questions.

Kathleen Fernan has spent over 35 years in the accounting industry and 12 years as a Quickbooks Pro Advisor. Kathleen's company K&K Business Solutions, Inc. provides accounting conversions, troubleshooting, systems integration, procedural flow and training to small and medium sized businesses. In addition to her accounting background, Kathleen is an ACT certified consultant and trainer. Kathleen can be reached at 626.358.1112 or via email Kathleen@knkbs.com
Copyright 2009