

# Tracking and Paying Sales Tax

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## Lesson 11

# Lesson objectives

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- To get an overview of sales tax in QuickBooks (the steps involved in tracking, collecting, and paying it)
- To see how to set up QuickBooks to track sales tax
- To see how to apply sales tax to a sale
- To learn how to determine a business's sales tax liability
- To write a QuickBooks check to the appropriate tax agency for sales tax liability

# Overview of sales tax in QuickBooks

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To use QuickBooks to track and pay your sales tax:

- Set up your tax rates and agencies.
- Indicate who and what gets taxed.
- Apply tax to each sale.
- Find out what you owe.
- Pay your tax agencies.

# Setting up your tax rates and agencies

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To add a sales tax item:

1. From the Lists menu, choose [Item List](#).
2. Click the Item menu button, and then choose [New](#).
3. In the Type field, choose [Sales Tax Item](#).
4. In the Tax Name field, type [Bayshore](#).
5. In the Description field, type [Bayshore City](#).
6. In the Tax Rate (%) field, type [1](#).
7. In the Tax Agency field, type [Bayshore Tax Agency](#).
8. Click OK.
9. Click [Quick Add](#).
10. Click OK.

# Grouping single taxes together

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To create a sales tax group:

1. With the Item list displayed, click the Item menu button, and then choose **New**.
2. In the Type field, choose **Sales Tax Group**.
3. In the Group Name/Number field, type **Bayshore Group**.
4. In the Description field, type **Sales Tax, Bayshore**.
5. Click in the Tax Item column, and then choose **Bayshore**.
6. Click on the second line in the Tax Item column, and then choose **San Tomas**.
7. Click OK.

# Identifying your most common tax

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To set up a default sales tax:

1. From the Edit menu, choose **Preferences**.
2. In the Preferences window, click the Sales Tax icon in the left panel, and then click the Company Preferences tab.
3. In the “Most common sales tax” field, make sure San Tomas is selected.
4. Click OK.

# Indicating who and what gets taxed

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To indicate a taxable item:

1. In the Item list, select **Doorknobs Std** (under Hardware).
2. Click the Item menu button, and then choose **Edit Item**.
3. Click OK to close the Edit Item window.
4. Close the Item list.

# Indicating who and what gets taxed

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To see an existing customer record:

1. Click Customer Center on the icon bar.
2. Select **Jimenez, Cristina**.
3. Click **Edit Customer**.
4. Click the Additional Info tab.
5. In the Tax Item field, choose **Bayshore Group**.
6. Click OK.
7. Close the Customer Center.



# Applying tax to each sale

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To apply tax to a sale:

1. On the Home page, click **Create Invoices**.
2. In the Customer:Job field, choose **Jimenez, Cristina:Utility Shed**. (Select both the customer and the job.)
3. In the Template field, select **Custom Invoice** from the drop-down list.
4. Click in the Item column and select **Doorknobs Std**.
5. In the Quantity column, type **4**, and then press Tab.
6. Click **Save & Close**.

# Determining what you owe

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To create the sales tax liability report:

1. From the Reports menu, choose **Vendors & Payables**, and then choose **Sales Tax Liability**.
2. In the Dates field, choose **This Month-to-date**.
3. Close the sales tax liability report.
4. If QuickBooks asks if you want to memorize the report, click No.

# Determining what you owe

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To run the sales tax revenue summary report:

1. From the Reports menu, choose **Vendors & Payables**, and then choose **Sales Tax Revenue Summary** from the submenu.
2. Close the report.

# Determining what you owe

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To see the sales tax payable register:

1. From the Company menu, choose **Chart of Accounts**.
2. Click **Sales Tax Payable** once to select it.
3. Click the Activities menu button and select **Use Register**.
4. Close the register.
5. Close the chart of accounts.

# Paying your tax agencies

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To make a sales tax payment:

1. On the Home page, click **Manage Sales Tax**.
2. In the Manage Sales Tax window, click the **Pay Sales Tax** button.
3. Select the **To be printed** checkbox.
4. In the "Show sales tax due through" field, type **12/15/15**, and then press Tab.
5. Click the **Pay All Tax** button.
6. Click OK.
7. Close the Manage Sales Tax window.



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**LESSON 11    Review questions  
and activities**



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## **Lesson 11: Tracking and paying sales tax**

### **Review questions**

- 1** Which of the following statements is false?
  - a** You can set up both taxable and non-taxable items
  - b** You can associate different sales tax rates with different customers
  - c** QuickBooks automatically sets up your sales tax rates based on the city and state you enter in the Company Information window.
  - d** All of the above
- 2** Use a \_\_\_\_\_ item to combine multiple sales tax items into one amount on sales forms.
- 3** Which of the following can you use to determine your sales tax liability?
  - a** Sales Tax Payable account register
  - b** Pay Sales Tax window
  - c** Sales tax liability report
  - d** All of the above
- 4** To correctly affect sales tax liability, you should make payments to tax collecting agencies from which QuickBooks window?
  - a** Write Checks
  - b** Pay Sales Tax
  - c** Either a or b
  - d** None of the above
- 5** In what part of the program do you assign sales tax codes and items to customers?
  - a** In the Sales Tax Code list
  - b** On the Customer tab of the New or Edit Item window
  - c** On the Additional Info tab of each customer's record in the Edit Customer window
  - d** None of the above

### **Review activities**

- 1** Create an invoice for Pretell Real Estate's 155 Wilks Blvd. job, for 10 interior wood doors and 2 exterior wood doors.
- 2** After you record the invoice, open the sales tax payable register to see how QuickBooks has recorded the tax due from the invoice.

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## Lesson 11: Tracking and paying sales tax

### Review questions

- 1** Which of the following statements is false?
  - a** You can set up both taxable and non-taxable items
  - b** You can associate different sales tax rates with different customers
  - c** *QuickBooks automatically sets up your sales tax rates based on the city and state you enter in the Company Information window.*
  - d** All of the above
- 2** Use a *sales tax group* item to combine multiple sales tax items into one amount on sales forms.
- 3** Which of the following can you use to determine your sales tax liability?
  - a** Sales Tax Payable account register
  - b** Pay Sales Tax window
  - c** Sales tax liability report
  - d** *All of the above*
- 4** To correctly affect sales tax liability, you should make payments to tax collecting agencies from which QuickBooks window?
  - a** Write Checks
  - b** *Pay Sales Tax*
  - c** Either a or b
  - d** None of the above
- 5** In what part of the program do you assign sales tax codes and items to customers?
  - a** In the Sales Tax Code list
  - b** On the Customer tab of the New or Edit Item window
  - c** *On the Additional Info tab of each customer's record in the Edit Customer window*
  - d** None of the above