

July 2016



Q-Tips

Land of the Free. Because of the Brave

This month we will discuss PCard Sales Tax. I hope the information below will help everyone understand 'the why'.

Why are there PCard Sales Tax entries on my Clearing Account Transfer?

- As you know, when the monthly PCard reports are received in Financial Services, each report is audited.
- If a PCard purchase did not include sales tax (usually an online purchase), sales tax is calculated* for that purchase.
- The sales tax information is then uploaded in Banner.
- The PCard taxes that you see on your Clearing Account Transfer are a result of the sales tax entries that are uploaded in Banner.
- Due to the time frame from when the PCard reports are due in Financial Services and the data is uploaded in Banner, the PCard sales tax will appear on your transfer the month after the purchase was made.
- You will notice there is always a month referenced on the PCard tax description – this is the month in which you will check each purchase to see which one(s) did not include sales tax.
- There will always be two (2) PCard tax entries (State, County); if the delivery location is within City limits, there will be three (3) PCard tax entries (State, County, Local) listed for each purchase.
- The reason the taxes are listed separately is because the taxes are remitted to the State of Arkansas separately: by State, County and Local taxes. After the State goes through their process, the sales tax that has been collected is returned to each respective County and/or City.

Below is the breakdown of how the sales tax is calculated for each purchase:

- State Tax: Each purchase will have this tax.
The State Sales Tax rate is currently 6.5% of the purchase price.
- County Tax: Each purchase will have this tax as well, so you will need to know what the current rate is for your County (be aware that County sales tax rate may change from time to time).
- Local Tax: If the delivery location is within the City limits, a Local Tax (if applicable) will be included. You will need to know what the current rate is for your City (this sales tax rate is subject to change as well).

Here is the link to the Sales Tax Calculator on our webpage: <http://arsalestax.uaex.edu/> that will assist you in finding the sales tax for your location.

- When you have multiple PCard tax entries (more than 3) on your Clearing Account Transfer - that indicates that sales tax has been added to more than one purchase.
- Refer back to the month identified in the description and locate the purchases that did not include tax.
- Calculate the tax for each purchase and identify those amounts on the transfer (there may be a penny difference on some of the tax amounts due to rounding).
- Add the calculated tax amounts together (State, County, Local) and that will be the total tax amount for that individual purchase (this makes it easier and less confusing when entering the PCard taxes in Quicken).
- When you make the sales tax entry in Quicken, it should be entered in the same Quicken Account that the original purchase was recorded.
- PCard tax entries are made following the same guidelines as any OTH entry in Quicken.
- PCard tax entries are to be entered with the date indicated on the Clearing Account Transfer – do not use the original purchase date.

**Note: There are items that are exempt from sales tax. If you have a question about an item, please contact Denise Brown, Accounts Payable Manager.*

I hope this explanation has helped you understand PCard taxes. As always, if you have any questions, please don't hesitate to give me a call!

Janice 