JE to Adjust U1 Use Tax Accrual Details

Document type: **ZX** or **SU** (manual entry);   **IJ** (interface)

When to use: **You need to correct the use tax accrual (U1 activity) related to an accounts payable (AP)**

           vendor invoice to have the system calculate tax,

           adjust expense and use tax payable accounts, and update tax detail records.

Scenarios: Various types of adjustments are possible.

             Always PREVEW and check your results in the SIMULATION of GENERAL LEDGER VIEW.

- Tax code type adjustment: AP invoice recorded with wrong tax code

     JE recalculates tax, adjusts expense and tax payable accrual, and updates tax details

  Example A
  - **Increase -** use tax accrual   *(No tax posted on AP invoice)*

  Example B
  - **Decrease -** reverse accrual   *(Use tax posted in error on AP invoice)*

  Example C   • Tax jurisdiction error: wrong code on AP invoice; adjust data and recalculate

  Example D   • Adjust account (fund, cost center, FA, WBS, etc.) for invoice with use tax

Guidelines:

1)   Equivalent amounts of expenses (***net of tax = "base" amount***) are entered

         on BOTH debit and credit lines.

2)   For changes of the tax code involving use tax (U1) ---

         To **INCREASE** use tax accrual: enter the **DEBIT** expense with **U1**, credit as I0

         To **DECREASE** use tax accrual: **CREDIT** expense with **U1**, debit as I0

3)   If you need to recompute the tax calculation because the wrong tax jurisdiction was used, enter

         correct tax jurisdiction code as **debit (U1**)

         ...and...**wrong** tax jursidiction code as **credit (U1)**

4)   Do NOT combine use tax adjustments with any other journal entry scenario.

5)   Only expense (5xxxxxxxxx) GL accounts are valid for this JE.

6)   On the DETAILS tab in the document header, select the CALCULATE TAX box.

Examples A - D are provided on following pages

Example A --- Purchase subject to use tax, but AP invoice was not marked with use tax code (U1).

      Enter same amount of expense (base) on both lines
          DEBIT line- enter the tax code for USE TAX - U1
          CREDIT line - enter tax code for tax exempt - I0

      Results: Expenses increased by amount of tax; use tax payable amounts are recorded.

Base amount (cost of item, excludes tax)	Tax Amount (total per item)	Total Expense: Base + Tax
100.00	7.00	107.00

* For examples A & B, the tax will be based upon a jursidiction code with 7% total tax rate (6% state & 1% county).
See example C for more information about jursidictions.

Example A -
    INPUT for FV50: Note - amounts will change when document posts (not at Park or Save-As-Complete)
        To verify your input and preview results: **SIMULATE GENERAL LEDGER** view

Line	GL line	Account	DR / CR	Amount	Cost Ctr	Func. Area	Fund	Grant	Tax code	Jurisdiction code *	
1		5030010000	**Debit**	100.00	J200BT0010	J200_0006	30370000	NOT RELEVANT	**U1**	*	**Increase - accrued use tax**
2		5030010000	Credit	100.00	J200BT0010	J200_0006	30370000	NOT RELEVANT	I0	*	

Example A -
    ENTRY View **(**Changes do NOT appear at Save- As-Complete. View below is entry view of the posted document)**.**
     Note: EXPENDITURE amount adjusted for related tax amount with U1 tax code. ALSO, tax payable line created.

Line	GL line	Account	DR / CR	Amount	Cost Ctr	Func. Area	Fund	Grant	Tax code		
1		5030010000	D	107.00	J200BT0010	J200_0006	30370000	NOT RELEVANT	U1	**$ 7 expense increase**	
2		5030010000	C	-100.00	J200BT0010	J200_0006	30370000	NOT RELEVANT	I0		
3		2010020000	C	-6.00					U1	**Use tax payable**	
4		2010020000	C	-1.00					U1		

Example A -
    GENERAL LEDGER View   (document is balanced now by BA-fund-grant-funded program)

Line #	GL line	Account	DR / CR	Amount	Funded program	Fund	Grant	Tax code		
1	1	5030010000	D	107.00	J200BT0010_0006	30370000	NOT RELEVANT	U1		
2	2	5030010000	C	-100.00	J200BT0010_0006	30370000	NOT RELEVANT	I0		
3	3	2010020000	C	-6.00	J200BT0010_0006	30370000	NOT RELEVANT	U1		
4	4	2010020000	C	-1.00	J200BT0010_0006	30370000	NOT RELEVANT	U1		

Example B --- **Purchase NOT subject to use tax, but invoice posted as U1.**   Need to reduce accrued tax.

        Enter same amount (base) for expenses on both lines
            DEBIT line- enter the tax code for tax exempt - I0   Records expense withOUT tax
               CREDIT line - enter tax code for for USE TAX - **U1**   Reverses accrual previously recorded.

        Results: Expenses decreased by amount of tax; use tax payable amounts are debited (reduced).

Base amount (cost of item, excludes tax)	Tax Amount (total per item)	Total Expense: Base + Tax
20.00	1.40	21.40

Example B -
    INPUT for FV50: Note that amounts will change when document is posted.
          To preview and ensure correct results: SIMULATE GENERAL LEDGER

Line	GL line	Account	DR / CR	Amount	Cost Ctr	Func. Area	Fund	Grant	Tax code	Jurisdiction code *	
1		5030060000	Debit	20.00	F030AB0000	F030_AB00	34170000	NOT RELEVANT	I0	}	**Decrease - use tax accrual**
2		5030060000	**Credit**	20.00	F030AB0000	F030_AB00	34170000	NOT RELEVANT	**U1**		

Example B -
    ENTRY View   (Changes appear when posted; not at SAC)
        Note: EXPENDITURE amount adjusted for related tax amount with U1 tax code. ALSO, tax payable line created.

Line	GL line	Account	DR / CR	Amount	Cost Ctr	Func. Area	Fund	Grant	Tax code	
1		5030060000	D	20.00	F030AB0000	F030_AB00	34170000	NOT RELEVANT	I0	Net expenses reduced (credited) by tax amount $1.40
2		5030060000	C	-21.40	F030AB0000	F030_AB00	34170000	NOT RELEVANT	U1	
3		2010020000	D	1.20					U1	Use tax payable
4		2010020000	D	0.20					U1	

Example B -
    GENERAL LEDGER View   (document is balanced now by BA-fund-grant-funded program)

Line #	GL line	Account	DR / CR	Amount	Funded program	Fund	Grant	Tax code		
1		5030060000	D	20.00	F030AB0000_AB00	34170000	NOT RELEVANT	I0		
2		5030060000	C	-21.40	F030AB0000_AB00	34170000	NOT RELEVANT	U1		
3	3	2010020000	D	1.20	F030AB0000_AB00	34170000	NOT RELEVANT	U1		
4	4	2010020000	D	0.20	F030AB0000_AB00	34170000	NOT RELEVANT	U1		

Example C --- **Use tax accrued, but goods charged to wrong tax jurisdiction location code**

Update expenses with correct jursidiction to recalculate tax with correct rate and update for local option reporting

Cost center remains same, but default tax jurisdiction is not valid as items delivered and used in Charleston.

Enter same amount (base) and tax code (U1) for expenses on both lines

DEBIT line- enter the tax jursidiction code for **CORRECT** location   Recalculates per correct jursidiction

CREDIT - enter the tax jursidiction code of wrong location   Reverses prior accrual with wrong jurisdiction

Results: Use tax accrual based upon updated jursidiction code; original juridiction calculation & details reversed.

	Base (excludes tax)	Jurisdiction rate**, code, location ** rate (combined for SC & local)	Tax Amount (total per item)	Total Expense: Base + Tax
correct	1,000.00	9% 4101912350 Charleston Co. detail	85.00	1,085.00
wrong	1,000.00	7% 4107902300 Richland Co. detail	70.00	1,070.00

Example C -
INPUT for FV50: Note that amounts will change when document is posted.
To preview and ensure correct results: SIMULATE GENERAL LEDGER

Line	GL line	Account	DR / CR	Amount	Cost Ctr	Func. Area	Fund	Grant	Tax code	Tax jurisdiction	
1		5030060000	Debit	1000.00	H630JGB001	H630_0036	10010000	NOT RELEVANT	U1	4101912350	Charleston
2		5030060000	Credit	1000.00	H630JGB001	H630_0036	10010000	NOT RELEVANT	U1	4107902300	Richland

Example C -
ENTRY View   (Changes appear when posted; not at SAC)
Note that expense amounts reflect use tax, based upon rate of jursidiction. Use tax payable accruals adjusted also.

Line	GL line	Account	DR / CR	Amount	Cost Ctr	Func. Area	Fund	Grant	Tax code	Tax jurisdiction	
1		5030060000	D	1085.00	H630JGB001	H630_0036	10010000	NOT RELEVANT	U1	4101912350	
2		5030060000	C	-1070.00	H630JGB001	H630_0036	10010000	NOT RELEVANT	U1	4107902300	
3		2010020000	C	-60.00					U1	4100000000	State SC 6%
4		2010020000	C	-25.00					U1	4101900000	Chas. 2.5%
5		2010020000	D	60.00					U1	4100000000	State SC 6%
6		2010020000	D	10.00					U1	4107900000	Richl. 1%

Example C
GENERAL LEDGER view

Line	GL line	Account	DR / CR	Amount	Funded program	Fund	Grant	Tax code	Tax jurisdiction	
1	1	5030060000	D	1085.00	H630JGB001	10010000	NOT RELEVANT	U1	4101912350	
2	2	5030060000	C	-1070.00	H630JGB001	10010000	NOT RELEVANT	U1	4107902300	
3	3	2010020000	C	-60.00	H630JGB001	10010000	NOT RELEVANT	U1	4100000000	
4	4	2010020000	C	-25.00	H630JGB001	10010000	NOT RELEVANT	U1	4101900000	
5	5	2010020000	D	60.00	H630JGB001	10010000	NOT RELEVANT	U1	4100000000	
6	6	2010020000	D	10.00	H630JGB001	10010000	NOT RELEVANT	U1	4107900000	

Example D --- **Use tax accrued, but account assignment for expense charges need to be adjusted.**

For this example - fund and grant are being adjusted, but JE also applies to changes of other account data (CostC,FA,WBS, expense GL, order) as needed.

Enter expense lines ONLY - same amount (base) and tax code (U1) for both debit and credit

DEBIT line- enter the corrected account assignments	**U1**
CREDIT - enter incorrect account assignments	**U1**

Do NOT enter cash lines as system create these automatically when document is posted - see GL view.

Base (excludes tax)	Tax Amount (total per item)	Total Expense: Base + Tax
300.00	21.00	321.00

Results: **Expenses,** including tax, adjusted. **Use tax payable** accruals adjusted.

CASH - due to/from account posted automatically by system for difference **(= base amount of expense)**

Example D -
    INPUT for FV50: Note that amounts will change when document is posted.
           To preview and ensure correct results: SIMULATE GENERAL LEDGER

Line	GL line	Account	DR / CR	Amount	Cost Ctr	Func. Area	Fund	Grant	Tax code	Tax jurisdiction	
1		5030060000	Debit	300.00	K980AB0001	K980_0099	30350000	NOT RELEVANT	U1		
2		5030060000	Credit	300.00	K980AB0001	K980_0099	50550000	K9801ZZZ99910	U1		

Example D -
    ENTRY View (System will create lines 3-6 as "entry" lines since a TAX CODE was input on expense lines 1 & 2 above by user. Changes appear when posted; not at SAC)
           Note that expense amounts reflect use tax, based upon rate of jursidiction. Use tax payable accruals adjusted also.

Line	GL line	Account	DR / CR	Amount	Cost Ctr	Func. Area	Fund	Grant	Tax code	Tax jurisdiction	
1		5030060000	D	321.00	K980AB0001	K980_0099	30350000	NOT RELEVANT	U1	4107902300	
2		5030060000	C	-321.00	K980AB0001	K980_0099	50550000	K9801ZZZ99910	U1	4107902300	
		Note: lines 3-6 are **NOT** input by user; instead, they are created by system tax calculation programs since tax code U1 was input for expense lines 1 & 2.									
3		2010020000	C	-18.00					U1	4100000000	
4		2010020000	C	-3.00					U1	4107900000	
5		2010020000	D	18.00					U1	4100000000	
6		2010020000	D	3.00					U1	4107900000	

Example D - GENERAL LEDGER View   *Data sorted by fund, then GL ledger line item.*
    CASH lines created during document balancing.
    This entry moves the expense, including tax, AND the tax payable.

Line	GL line	Account	DR / CR	Amount	Funded program	Fund	Grant	Tax code	Tax jurisdiction	
1	1	5030060000	D	321.00	K980AB0001_0099		NOT RELEVANT	U1	4107902300	
3	3	2010020000	C	-18.00	K980AB0001_0099		NOT RELEVANT	U1	4100000000	
4	4	2010020000	C	-3.00	K980AB0001_0099		NOT RELEVANT	U1	4100000000	
	7	**1000000000**	C	300.00	K980AB0001_0099	30350000	NOT RELEVANT			**Cash impact: lines created by document balancing**
2	2	5030060000	C	-321.00	K980AB0001_0099		K9801ZZZ99910	U1	4107902300	
5	5	2010020000	D	18.00	K980AB0001_0099		K9801ZZZ99910	U1	4100000000	
6	6	2010020000	D	3.00	K980AB0001_0099	50550000	K9801ZZZ99910	U1	4107900000	
	8	**1000000000**	D	300.00	K980AB0001_0099		K9801ZZZ99910			