



AOSD User Flash #322: Sales and Use Tax - Accrual Reminders and Threshold Update

Sales and Use Tax Accrual Reminder and Threshold Update

Departments are strongly recommended to utilize SF Financial and Procurement's automated system accrual for sales and use tax. Automatic accruals establish an audit trail and result in more accurate reporting to the California Department of Tax and Fee Administration (CDTFA). In certain situations where a manual accrual is necessary (e.g. progress payments, maintenance payments, etc.), departments must attach the supporting document in the journal entry and provide justification.

For more information, please refer directly to the AP Processing FAQ, found here: <https://sfemployeeportalsupport.sfgov.org/support/solutions/articles/11000022706-accounts-payable-peoplesoft-ap-processing-faq>. Details in the FAQ include the following:

- Invoices (when underlying PO has correct tax rate)

1) If the invoice erroneously overcharges sales/use tax:

- Departments should always first work with their supplier to resolve the tax discrepancy. Input only the correct, lesser amount as determined by the underlying PO's tax rate. Do not ignore the systems warning message. The user should also document the explanation in the Comments field.

2) If the invoice erroneously undercharges sales/use tax:

- Departments should always first work with their supplier to resolve the tax discrepancy. If unable to resolve, input the exact amount reflected on the invoice in the sales tax field of the voucher, allowing the system to automatically accrue the remaining tax amount. The user should also document the explanation in the Comments field.
- To reduce rounding issues and streamline the use tax reconciliation process, the system's tax accrual threshold will be updated for vouchers created on or after April 1, 2022. For these vouchers, the system will only accrue tax if the difference between the invoiced tax amount and PO tax amount is (1) more than .01% of the PO tax amount; and (b) the accrual amount is more than \$0.05.

3) If the invoice is subject to use tax but omits tax entirely:

- Departments should always first work with their supplier to resolve the tax discrepancy. If unable to resolve, input \$0.00 in the sales tax field of the voucher, allowing the system to automatically accrue the entire use tax amount. The user should also document the explanation in the Comments field.

To reiterate, automated accrual will be strongly recommended for all applicable purchase orders and invoices. Any manual accrual exceptions should be justified and documented in the journal entry. As always, it remains the department's responsibility to ensure the correct tax amount is paid or accrued, regardless of whether the system accrual is triggered.

Sales and Use Tax Accrual on Discounted Payments

It is important to note that the calculated tax amounts for systematic accrual is affected by whether the user indicates that the payment will take a discount. The calculated tax amount shown on the "Invoice Header" tab will **not** retroactively adjust depending on whether a discount is (or is not) taken. For more information, please refer to the AP Processing FAQ, found here:

<https://sfemployeeportalsupport.sfgov.org/support/solutions/articles/11000022706-accounts-payable-peoplesoft-ap-processing-faq>.

Questions?

Please contact your fund accountant with any questions.