

# University of Missouri System Accounting Policies and Procedures



**Policy Number:** APM-10.10.80

**Policy Name:** Expenditures – Sales Tax

## General Policy and Procedure Overview:

Appropriate state, county, city and mass transportation sales tax must be collected on all taxable sales made by the University. The Controller’s Office will compute the amount of sales tax due monthly from each department based on previous month’s taxable deposits. The Controller’s Office will prepare and process an allocation to charge back the sales tax, reducing the department’s revenue.

Please refer to Business Policy Manual, [BPM-205 Sales Tax](#) for tax rates, for delineation between taxable and non-taxable, sales, and other operating considerations concerning sales tax.

## Detail Policy and Procedure:

All sales tax collected must be reported as income on a Cash Receipts Report (and Credit Card Sales) and deposited with other cash receipts. All sales are processed via Cash Receipts Reports to the appropriate ChartField and Account in the 4xxxxx series. Sales are to be broken down between taxable and non-taxable as delineated in the Business Policy Manual, [BPM-205 Sales Tax](#).

Every week, the University pays an estimated sales tax amount to the State of Missouri. The State of Missouri establishes the amount of the estimate annually. The Controller’s Office prepares a voucher for this amount. The payment is made to the State of Missouri by the Treasurer’s Office. Following payment, a staff member of the Controller’s Office is notified to release the hold on the voucher resulting in accounting entries to the General Ledger. The entries affected by the processing of the voucher are:

Transaction Description	Account	Dr	Cr
Record a contra liability	215050 Sales Tax Quarterly Monthly Payment	X	
Pay the voucher	XXXXXX Cash		X

The Controller’s Office will compute the amount of sales tax due from each department based on the previous month’s taxable revenues monthly. An allocation runs that breaks out the tax from the gross revenue, deducts the tax from the gross revenue and credits the sales tax liability.

The accounting entries created are:

Transaction Description	Account	Dr	Cr
Reduce Gross Revenue by the amount of sales tax	4xxxxx Taxable Revenue	X	
Establish the Liability for Sales	21xxxxx Sales Tax Liability		X

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The Controller's Office reconciles the estimated tax payments against the actual tax owed, and processes the payment for any shortfall or credits for an overpayment. In preparing the tax return, queries are run that accumulate the gross revenues for the applicable revenue source and the non-taxable revenues. The tax return takes the gross revenues, less the non-taxable portion and less the tax liability, giving the taxable revenues. If the liability is greater than the estimated tax payment, a voucher is created for the difference resulting in the following entries.

Transaction Description	Account	Dr	Cr
Additional Sales Tax Payment Due	215020 Sales Tax Liability	X	
	Cash		X

If the tax liability is less than the estimated tax payment, the overpayment is carried over and applied to the next month's tax liability calculation.

The State of Missouri offers an incentive for prompt payment of sales tax. This incentive is an amount equal to 2% of the tax liability. As the monthly sales tax return prepared this amount is calculated, reflected on the tax return, and entered into the books of the University as follows:

Transaction Description	Account	Dr	Cr
Sales Tax 2% timely Payment	215010	X	
Misc. Revenue non-taxable	495000		X

At the end of the fiscal year, the amount of the Sales Tax Liability is reconciled and closed against the Contra Liability.

## RESPONSIBILITY

### Controller's Office:

- Makes the weekly payments of the estimated sales tax.
- Prepares the monthly sales tax return to the State of Missouri.
- Prepares the vouchers for payment and accounting entries.
- Runs the allocations that calculate the actual sales tax liabilities and makes the entries for the liability.
- Maintains the tax rates in the allocations.

### Departments:

- Properly classifying the revenue as taxable or non-taxable by encoding the appropriate ChartField on the Cash Receipts Report per Business Policy Manual, [BPM-205 Sales Tax](#).

### Treasurer's Department:

- Processes the tax payment to the State of Missouri.

*Effective Date: July 1, 2006*

*Revised Date: April 21, 2007*

### **Questions and Comments?**

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.