

# INSTRUCTIONS ON WHEN AND HOW TO COMPLETE A FLEXCARD USE TAX REVERSAL FINANCIAL JOURNAL

A transaction with an out-of-state merchant may post to the General Ledger with an inappropriate Use Tax charge, either because Use Tax was not corrected when the transaction was reviewed or because an unreviewed transaction automatically posted after 14 days.

1. Identify the problem, as in the following purchase made from Jelliroll, where the transaction passed, **unreviewed** and **with incorrect Use Tax charges of \$85.46 added**, to the General Ledger:

FlexCard 1.16													Vaughn M Boyle		sign out
Transaction		User Parameters		System Parameters		FlexCard Management		Management Module		FlexCard Help		Exit			
Transaction Review										Email Acknowledgment		Current Ledger Date: 200606P			
REVIEWED	TRANSACTION(S)														
Dept		Cardholder		Card Description		Default Account									
BUSINESS SERVICES OFFICE		JILL LEVY		Business Services		8	661540	19900	3	8000					
Sts	Merchant Name	Trans Date	Posting Date	Purchase ID Number	Vendor Total	Taxable Subtotal	Non-Taxable Subtotal	RC	Freight	Sales Tax	Use-tax	GL Total			
<input type="checkbox"/>	R HEART RATE MONITORS USA	05/01/2006	05/05/2006	14676904	187.50	187.50	0.00		0.00	0.00	14.53	202.03			
<input type="checkbox"/>	R DANCE WEAR SOLUTIONS.COM	05/02/2006	05/05/2006	WVVE1CC97AD9	37.80	30.00	0.00		7.80	0.00	2.33	40.13			
<input type="checkbox"/>	R DELL CATALOG SALES, L.P.	05/08/2006	05/11/2006	N/A-ONLINE.C	73.14	65.14	0.00		8.00	5.26	0.00	73.14			
<input type="checkbox"/>	R PAPER DIRECT	05/08/2006	05/10/2006	WI1441140001	54.95	6.00	0.00		48.95	0.00	0.47	55.42			
<input type="checkbox"/>	R PAPER DIRECT	05/08/2006	05/10/2006	WI1441140002	327.84	327.84	0.00		0.00	0.00	25.41	353.25			
<input type="checkbox"/>	R AMRICN SOC SAFT ENG	05/15/2006	05/25/2006	000406508	190.00	0.00	190.00	0	0.00	0.00	0.00	190.00			
<input type="checkbox"/>	U JELLIROLL	05/15/2006	05/31/2006	18622587	1102.75	1102.75	0.00		0.00	0.00	85.46	1188.21			
<input type="checkbox"/>	R BRANDON-HALL.COM	05/16/2006	05/25/2006	0	100.00	100.00	0.00		0.00	0.00	0.00	100.00			
<input type="checkbox"/>	R I MARKET	05/19/2006		IMK-52091	12.29	12.29	0.00		0.00	0.00	0.00	12.29			
<input type="checkbox"/>	R AMZ*SUPERSTORE	05/22/2006	05/25/2006	102-4948055-	21.84	21.84	0.00		0.00	0.00	1.69	23.53			

The invoice clearly showed that the Vendor Total of \$1,102.75 included **\$77.35 in California Sales Tax** (7.75% of the \$998.00 cost of the merchandise) plus \$27.40 in shipping charges. Use Tax, therefore, should not have been added.

2. Calculate the amount of the Use Tax Reversal.
  - a. If the entire transaction was exempt from Use Tax, the amount entered in the Use Tax field in the Allocation Module is the amount of the Use Tax Reversal: in the current case, \$85.46.
  - b. If only a portion of the transaction was exempt, calculate the amount of the Use Tax Reversal on the exempt portion only.

For example, if a purchase included \$15.75 in shipping charges, the amount of the Use Tax Reversal would be  $\$15.75 \times 0.0775 = \$1.20$ .



- iv. Enter the amount of the Use Tax Reversal in the credit column – Cell L7. This amount must be the same as entered in the debit column – Cell K6. (If the credit is split over multiple LAFSOs, the total must equal the amount in Cell K6.)
  - F. Do not change the standard Explanation – “Correcting FlexCard Use Tax overpayment” – that appears in Cell A18.
  - G. In the gray-shaded area on Line 23, check either the “Complete Use Tax Reversal” box or the “Partial Use Tax Reversal” box, as appropriate.
  - H. In the blue shaded area immediately below, check the box next to the appropriate reason for which Use Tax is not owed. In this case, because the Transaction amount included California Sales Tax.
- If necessary, you can enter further identifying information related to the department LAFSO credit in the following fields:
- I. Low Value Number - Column H (will appear on the GL)
  - J. Department Dash Number – Column M (will appear on the GL)
  - K. Cost Center – Column S
  - L. Cost Type – Column T
  - M. Project Code – Column U
  - N. Program – Column V

A	B	C	D	E	F	G	H	K	L	M	N	O	P	Q	S	T	U	V																			
<b>U. C. SANTA BARBARA</b>						<b>FINANCIAL JOURNAL</b>						Mo. / Yr.		Number		T T	FM																				
Type Entry						53						Jun-2006		12-081		R Y	TRAN	SO	NUM																		
4	Statement Line Desc.	Loc	Account	Fund	Sub	Object	Description of	Ref. or	AMOUNT		Dpt Dash	NE	MMDDYY	LH	XXX	Departmental FAU fields																					
5	25	Transaction	42	43	Req	48	T1	Debit	80	T1	Credit	80	49	Num	54	1	2	20	24	55	57	59	1	Cart	Center	4	5	Cart	Type	9	10	Project	15	16	Program	21	
6	STATE USE TAX	8	115520				UseTx Reversal-BUSS		85.46				53	063006	12	081																					
7	Business Services	8	661540	75041	5	8000	Rev Jelliroil UseTx		85.46		J		53	063006	12	081	K	L	M	N																	
8													53	063006	12	081																					
9													53	063006	12	081																					
10													53	063006	12	081																					

- 4. Submit the completed Financial Journal, as an email attachment, to Asger Pedersen ([asger.pedersen@accounting.ucsb.edu](mailto:asger.pedersen@accounting.ucsb.edu)) in Accounting Services & Controls.
- 5. Print the Financial Journal and have it signed by the appropriate individual(s) in your department.
- 6. Attach a copy of the signed Financial Journal to the original order and payment documentation for the transaction, as part of your department records.
- 7. Send the **original copy** of the Financial Journal to Asger in Accounting (Mail Code 2040). Be sure to attach a copy of the documentation that supports the fact that Use Tax should not have been paid:

- a. a printout of the Allocation Module, showing the transaction and the amount of Use Tax charged; and
- b. a copy of the paid invoice, or order confirmation, showing that (i) California sales tax was included by the out-of-state merchant as part of its charge or (ii) all or a portion of the charge was non-taxable (freight, a non-taxable item such as a software download with no deliverable, an optional warranty or maintenance agreement, etc.).

Asger will not process the Use Tax Reversal until he receives the signed original Financial Journal and documentation.