

## How Do You Take a Discount When You Pay Sales Tax to State?

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### **How Do You Take a Discount When You Pay Sales Tax to State?**

Many states give a small discount when you pay the sales tax you have collected on your sales. This must be claimed as income and not left in the sales tax payable account. The following step will cover both.

First, set up a new General Ledger Account — Sales Tax Income in the 500 series (if you use our recommended Chart of Accounts). This Account would have a credit balance and be on the Profit and Loss Statement. It should also be sequenced into the Profit & Loss Statement in the correct area.

You must calculate the discount manually. DO NOT use a terms code in the vendor master for the discount, as this will post to the wrong account in the General Ledger. Subtract the discount from the total to get your payment amount.

When you are ready to pay your sales tax, vouch it for payment. In vouching, enter the payment amount as the Invoice Amount. In the General Ledger distribution area, enter the GL Account Number for Sales Tax Payable (228) for the full amount collected, and the new Sales Tax Income Account Number for the amount of your discount, entered as a negative amount.

This debits your Sales Tax Payable Account for the full amount charged, credits your Income Account for the discount amount, and sets up your payable for checkwriting.