

## Use Tax

1. The tax rate will be stored on AdDept's tax locale table. Although the rates sometimes change, it will probably not be necessary to use an old rate. So, to make things simple, the rate will not be date-sensitive.
  - A. The tax locale code will be added to the store table as a required field.
  - B. The following Y/N fields will be added to the tax locale table:
    - 1) Direct mail taxable?
    - 2) Inserts taxable?
    - 3) Other taxable?
    - 4) Store copies taxable?
    - 5) Media taxable?
    - 6) Postage taxable?
2. One or more G/L accounts will be set up for the tax liability for each jurisdiction. The sub-accounts corresponding to these accounts will have Y in "Tax Account?" and Y in "Prodn Expense Account?" Separate sub-accounts will be created for inserts and direct mail. A cost category will also be created.
3. The following fields will be added to the specs table:
  - A. The cost category for use tax.
  - B. The vendor ID for use tax.
4. A new data file will be created to hold the use tax by store for each job.
  - A. It will have the following fields: SEASON, ADNUM, STORE, TAXLOC, ESTTAX, PROJTAX, ACTTAX. **Plan?**
  - B. Costs for use tax will be allocated to stores using the following algorithm:
    - 1) A job will be considered taxable if and only if:
      - a) It is a book (PLTYPE = 2);
      - b) The amount (estimated, projected, or actual) in cost category 300 (printing) is not 0.
    - 2) The tax locale will be determined:
      - a) For direct mail from the record of the store(s) associated with the pub (DMPUBST).
      - b) For inserts from the lead store associated with the pub (DMPUBSTM).
    - 3) The taxable cost per piece will be calculated for each jurisdiction depending on the five new fields on the tax local table. The total taxable cost – using those rules – will be divided by the total quantity (delivered, not billed).
    - 4) The tax rate will be read from the tax locale table.
    - 5) The store's portion of the tax will be the tax rate times the taxable cost per piece for the jurisdiction times the eligible quantities for the pub (mailed, inserted, store, or a combination) times the store's percentage from DMPUBST.
  - C. Programs will be written to calculate the use tax liability for a job.
    - 1) Actuals:
      - a) Base the calculation on the same costs used in the cost accounting:
        - (1) Media costs as modified by DAMEDVD.
        - (2) Production invoices plus open P.O.'s.
        - (3) Apply the rules of 5B for each jurisdiction.

- b) NOTE: some stores may have charges from more than one tax locale. The Rock Hill store will get costs from the Charlotte Observer (NC) and from the Rock Hill Herald (SC).
- 2) Projections use the media schedule plus the latest projections (except for the media costs).
- 3) Plan uses the original estimates for all categories, including the media cost. **Is there a schedule?**
- 4) In all cases, the tax liability is 0 if there is no printing cost.
- 5) The programs will update DPJCSUM, DPJCSXMO (actuals only), and the new file with allocations at the store level.
- D. Menu options will be created to recalculate estimated, projected, or actual use tax for a month. I think that the transactions should be generated by one of the programs in this option, but I am not sure which step should do it.
- E. At the end of the month a new set of programs will produce journal entries by store for the ads that ran that month. One of the programs should probably create the transactions.
- 5. The amounts in the use tax category will not be editable in option 28 of WRKADS.
- 6. The program to move an ad will be changed to make sure that the season and month for the ad on the new file will correspond to the ad's run month.
- 7. The store cost accounting programs will be changed to allocate costs in the use tax cost category using the data file described in #5.
- 8. No changes are needed to the departmental cost accounting programs. They will use the appropriate amount in the use tax category.