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:

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 x 0.0775 = $1.20.
3. Prepare a **FlexCard Use Tax Reversal Financial Journal**, completing it as follows:

| A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V |
| 6 | CA USE TAX | 8 | 115520 | 063006 | 85.46 | | | | | | | | | | | | | | | | | | |
| 7 | Business Services | 8 | 861640 | 75461 | 5 | 8820 | Rev Jelliroll Use Tax | | | | | | | | | | | | | | | | | |

**EXPLANATION:**

85.46 85.46

**CHECK REASON FOR USE TAX ADJUSTMENT**

- Transaction amount includes Fringe
- Transaction amount includes CA Sales Tax
- Exempt property
- Exempt labor or service
- Property purchased outside CA
- Non-tangible computer software
downloaded
- Software maintenance contract optional
- Professional services
- Exempt hospital/ laboratory kita
- Exempt tuition or fees to a US Government agency
- Exempt to property tax in US Government
- Exempt to property tax in CA Government
- Exempt to a State agency other than CA
- Exempt to a local government
- Exempt to department of a foreign government
- Hand carried foreign purchased
- Hand carried foreign purchased
- HAND CARRIED FOREIGN PURCHASE
- OTHER EXEMPTION

**NOTE:** The LAFSO to which the transaction was allocated (or will be, if a TOE is also needed).

**NOTE:** Once the date is entered, it will fill down in all other cells in Column O and update the General Ledger Month that appears in Column P and in Cell K3 (Jun-2006, in this case).

A. Do not change the STATE USE TAX account number (8-115520) on Line 6.

B. For the description on this line, use the format “Usetx Reversal + Department Financial Code (BUSS in this case; PHYS for Physics, etc.)

C. Enter the amount of the Use Tax Reversal on this line in the debit column – Cell K6.

D. Enter the last day of the current General Ledger month, in the format MMDDYY (063006 in this case) in shaded Cell O6.

E. Enter information related to the department account on which you want the Use Tax Reversal to appear on Line 7:
   
   i. Account Name (generally the Department Name) - Cell A7

   ii. LAFSO – Cells B through F

   **NOTE:** The LAFSO to which the transaction was allocated (or will be, if a TOE is also needed).

   iii. Enter a description of the transaction in Cell G7. A suggested format is “Rev + Vendor Name + Usetx” – in this case, “Rev Jelliroll Usetx.”
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

4. Submit the completed Financial Journal, as an email attachment, to Asger Pedersen (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.