



Reconciling Sales Tax Reporting

Some users have reported a difference between the results of the Sales Tax Report produced by The Edge and the figures generated by their state's sales tax reporting system. We wanted to explain the reason for that.

In The Edge, sales tax for each item is calculated and rounded to the nearest cent at POS. Then for The Edge's Sales Tax Report, The Edge pulls the actual sales tax collected sale-by-sale and totals that. Conversely, many state reporting systems ask for a total amount of taxable sales and calculate a single tax figure based on that amount.

Here is an example:

The Edge: 100 items @ \$195 x 6.75% (.0675) = \$13.1625 rounded to \$13.16 x 100 = \$1,326.00.

The State: 100 items @ \$195 x 100 = \$19,500 x 6.75% (.0675) = \$1,316.25.

In the example above, assume you sold an item at \$195.00 each with a tax rate of 6.75 percent (.0675), sales tax on each item would be \$13.1625, rounded to \$13.16, dropping .0025 cents. For a hundred such items, the total tax collected would be \$1,316.00. However, the total tax calculation that the state may use would take the total sales of \$19,500 and apply the same 6.75 tax for a total of \$1,316.25. The difference is \$.25.

As a result, the fractions of cents rounded at POS for each item constitute a difference from state revenue calculations that take the entire taxable amount and round the one figure. In actuality, The Edge's reporting is more accurate because reflects what was truly collected at point of sale and what should be sent to your tax agency.

The difference may not seem like much, but it does result in a discrepancy in your accounting especially when it applies to millions of dollars of transactions for the year. If your tax agency automatically calculates your sales tax as described above, we suggest you talk with your accountant about reconciling the difference.