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When you have a sales tax problem, we are the solution!

631-491-1500 info@SalesTaxDefense.com



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January 2013

Start the New Year Off Right Keep Books and Records

The trees have shed their old leaves, preparing for new buds. Gardens have been cleared away, making space for next year's fruits and vegetables. And following this cycle, businesses should discard bad habits and start fresh. The first step in starting fresh is keeping the right books and records.



The New York State Tax Department requires that every business keep adequate books and records. Adequate books and records means books and records that the Tax Department can audit and use to determine whether the correct sales tax was collected and remitted on sales, and whether the correct sales tax was paid on purchases.

The original record of every sale must be kept, including invoices, guest checks, ticket stubs, and the entire cash register tape. The Tax Department must be able to determine the taxability of every sale. If sales tax was not charged on a sale, documentation must be kept such as a resale certificate or an exemption certificate which explains why sales tax was not charged. If a business sells both taxable and nontaxable items or services, a clear description of each item must be on the register tape or invoice. Therefore, make sure your register is programmed correctly!

Purchase records must also be kept to document all expenses. This includes bills, invoices, and receipts. If you were not charged sales tax on a taxable item or service, you are required to self-assess the tax and report it to New York State. Documentation, even if it is your own handwritten schedule, should be kept to show proof that tax was self-assessed.

Sales tax returns should be based on the company's books and records. And those records should be kept for a minimum of 3 years from the filing of a sales tax return (7 years is better).

Sales Tax Defense will be happy to meet with a client or fellow professional to discuss what books and records should be kept. Remember, it is easier to keep the right documentation now rather than pay the Tax Department later!



Success Story It is Possible to be Audited and Owe No Tax!

A local pizzeria was previously audited for sales and use tax. Sales Tax Defense represented the company. Unfortunately, the pizzeria did not keep the books and records required to substantiate its sales. The Tax Department deemed the books and records inadequate. The Tax Department then used an estimation technique and determined additional tax was due.

After the audit, Sales Tax Defense discussed what books and records should be kept by the company. We advised that register tapes should be kept for four years. The register tapes should then be used to create any summary sheets and the general ledger. Sales tax returns should be based on the register tapes. All purchase documentation should also be kept for a minimum of four years. The company followed our advice and when the Tax Department returned to conduct another sales tax audit three years later, the company was able to provide all the necessary books and records for the previous three years.

The Tax Department argued that it did not like how information was presented on the register tapes but it eventually had to concede that the company kept adequate books and that the books and records matched what was reported on the sales tax returns. The Tax Department found no additional tax was due under audit. It pays to keep the right books and records!

About Us

We are a dedicated team of tax professionals who have committed our careers to helping businesses and fellow professionals with tax problems. Since the only work we are focused on is solving tax problems, businesses never have to be concerned that we will try to sell them other services they do not need. And professionals never have to be concerned with us encroaching on their client relationships, because we view you, our fellow professional, as our client.

Sales Tax Defense LLC | Phone: 631-491-1500 | Email Us

Visit our Website | 2106 Deer Park Avenue, Deer Park, NY 11729

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