

20 COMMONLY HELD MYTHS ABOUT SALES TAX

1. The biggest urban myth of retail – “I collect sales tax therefore I can use it to run my business”.

No, this is totally not true. Sales tax is a trust fund tax and as a business owner you have a legal responsibility to hold it secure for the state at all times.

2. It's ok to pay my sales tax a few days late as long as I get it to them.

If you like burning hard earned profits on fines and penalties, that's fine. But if you want to keep more money in your pocket, it's best pay on-time.

3. There's no incentive to pay my sales tax on-time, so why bother.

Actually many states reward you by letting you keep a percentage of the sales tax you collect if you send it in on-time. More money in your pocket

4. I pay enough taxes, why do I have to pay sales tax too?

Well, you don't actually pay sales tax out of your own pocket. States require you to collect sales tax from your customers, holding it secure and send it to the state when it's due.

5. Sales Tax gets paid to the IRS, right?

Nope... there is no national sales tax. Instead, sales tax is a state tax that accounts for about 60% of most state budgets. It's what pays the teachers at your kid's school and runs state government.

6. Sales tax rates are set by the IRS and there is one sales tax rate for each state.

Incorrect, sales tax rates are by state and local governments and there are over 12,000 different tax rates across the US.

7. Is sales tax different from food and lodging tax?

While they have different names, sales tax and food and lodging taxes are one in the same thing. They are commonly referred to as a consumption tax paid by consumers as a percentage of a sale. There are many taxes that merchants collect that fall under this category including water, stadium, school, etc....

8. Sales tax is paid annually on April 15th when all my other taxes are due.

Nope again. Sales tax is due monthly or quarterly between the 15th and the 30th of the month depending on what state you are in. In rare instances states might make you an annual filer.

9. I can decide whether I want to pay my sales tax monthly or quarterly?

No. The state determines whether you are a quarterly or monthly tax filer, usually depending on how much revenue your business is doing and hence, how much sales tax you are collecting.

10. I'm filing my sales tax return every 3 months, so I only have to pay my sales tax every quarter right?

One would think this is correct. But some states like California and New Jersey require quarterly sales tax filers to pre-pay their sales tax every month and file a tax return quarterly.

11. My accountant files my sales tax, so it's his fault if it gets filed late.

Wrong. It is always the merchant's responsibility to file and pay sales tax on-time even if a third party such as an accountant or bookkeeper is filling out and filing the tax return.

12. The chances of me having a sales tax audit are slim to none.

States are increasing sales tax audits all the time because sales tax is a major portion of state budgets. Remember, it's not if I will have an audit, it's when I will have an audit.

13. My food truck moves around to different cities with different tax rates. I only have to collect sales tax when I am in my home jurisdiction.

You are responsible for collecting and reporting sales tax for every jurisdiction you operate in at the correct tax rate. You thought it would so easy....

14. I just opened my new business and I am not sure how much sales tax I should charge. Should I just search for a rate online?

NO!!! Unfortunately many online sources have incorrect or outdated tax rates. The definitive and final answer when it comes to tax rates is the State Department of Revenue and a list of links can be found here.

15. I only have to charge sales tax on products, not services right?

Whether you have to apply sales tax to products and services differs state by state and in some cases city by city. For the definitive answer on what is and what isn't taxable, consult your State department of revenue.

16. Grubhub and Ubereats only pay me 70% of the cost of each order, so I only have to pay sales tax on the amount they pay me.

No, you are responsible for paying sales tax on 100% of the cost of the order. Third party apps like Grubhub and Ubereats collect sales tax on the total sale and send all of that sales tax to you to remit to the state. If you are in FL, GA, MI, UT, VA the apps pay the sales tax for you. To learn more about this click [HERE](#).....

17. How do I not pay sales tax on cash sales?

As a business owner, you are responsible to collect and remit sales tax on all sales.

18. What's the best way to manage sales tax myself?

The best way to manage your sales tax is to put it aside into a separate holding account daily so it doesn't get spent. But is it really efficient to run to the bank everyday to do this?

19. Isn't my bookkeeper supposed to do this?

Sometimes a bookkeeper will go to the bank everyday to make deposits, but you are paying for their time to do this. You gain zero benefit from managing sales tax, so you should do it as cost effectively and efficiently as possible.

20. I never worry about payroll taxes. Why can't someone do my sales tax the way ADP does my payroll and put it aside as I collect it and then file and pay it for me?

We thought you'd never ask!!!! DAVO Sales tax can!! DAVO automatically collects your sales tax daily and then files and pays it when due. Simple, efficient, affordable.