ADOA – General Accounting Office

QUICK REFERENCE GUIDE: MONTHLY PROCESS FOR COLLECTING AND PAYING USE TAX

MONTHLY PROCESS FOR COLLECTING AND PAYING USE TAX

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MONTHLY PROCESS FOR COLLECTING AND PAYING USE TAX

Overview

Per the Arizona Department of Revenue (ADOR), businesses (or individuals) making out-of-state purchases for their own use – not for resale – on which no tax is paid, are required to pay transaction use tax. For more information on this topic, see the **Arizona Department of Revenue Use Tax – Publication 610** located via the **Download information about the Use Tax (PDF)** link.[1] There are several means within AFIS to make this payment to ADOR.

Late fees owed to ADOR can be paid in AFIS by using an Internal Exchange Transaction (IETAT) document.

Objectives

- Create a use tax liability in AFIS through Arizona Procurement Portal (APP)
- Transfer out use tax liability to ADOR
- Transfer payment of use tax when no liability was created
- Correct errors in the use tax liability

Create a Use Tax Liability in AFIS through APP

Background

To pay use tax, first an agency must determine how much use tax is due. This can be accomplished in several ways. One available method is to create a liability when processing a payment in APP if the vendor collects no sales tax and use tax is due. If an agency wishes to create a liability for use tax using APP, use the AZ State Use Tax Rate in APP to create the liability. Capturing the liability in APP is an option, not a requirement. However, it is a useful tool.

Creating Use Tax Liability in APP

The objective of creating a use tax liability is to capture the correct amount of use tax due to ADOR to facilitate remittance.

1. In APP, the requisitioner should select AZ State (Use) Tax when processing the requisition.
2. After the invoice is approved for payment, the vendor will be paid for the invoice and a liability will be created in AFIS for the use tax due.

[1] ***Download information about the Use Tax (PDF):*** https://azdor.gov/transaction-privilege-tax/reporting-guide

When reviewing use tax liability through APP keep in mind:

- Using the AZ State (Use) Tax option for sales tax results in a liability being recorded in AFIS under **BSA** (Balance Sheet Account) **1616 – Use Tax Liability**, and the amount is not submitted to the vendor being paid or to the ADOR.
- The expenditure recorded in AFIS will reflect the entire amount processed for payment including use tax.
- The liability can be verified by reviewing the purchase order (GAEIV1) document in AFIS and looking under the Accounting tab.

Transfer Use Tax Liability and Remit Use Tax Payment to ADOR using BSA 1616

Background

To pay your monthly Use Tax obligation, you will need to review the balance in **BSA 1616** and the payments your agency has made since the last submission period to determine the correct amount to remit to ADOR.

Review BSA 1616

The objective of reviewing **BSA 1616** and your payments is to ensure that the liability is liquidated and that the proper amount is submitted to the ADOR for your agency's use tax.

1. Run the AFIS report **FIN-AZ-GL-N188** *Trial Balance by Department, Fund Class, Fund Group, Fund, and Sub-Fund* by **BSA 1616.** This report displays a summary of balances and changes to the general ledger. Make sure you enter the optional prompt for **BSA 1616** to narrow your selection and shorten the amount of report run-time. This report will provide the balance at the beginning and at the end of the month of your **BSA 1616** by fund and sub-fund.
2. Run the AFIS report **FIN-AZ-GL-N649** *Balance Sheet Account (BSA) Inquiry* by **BSA 1616**. This report displays the monthly activity details by document, which is reported on the **FIN-AZ-GL-N188** report. This report is available only for a single month of activity and is not accumulative.
3. Review the transactions that make up the liability balance in **BSA 1616**. Determine if the tax liability is accurate. If it is, make a payment to the ADOR through the Internal Exchange Transaction – Use Tax (IETUT) process. If incorrect, make the necessary correction.

When reviewing use tax liability and remit use tax payment to ADOR keep in mind:

- If all your payments have been made and no additional liabilities were incurred, then your **BSA 1616** should have a zero balance.
- GAXIV1 documents creating a liability will appear on the **FIN-AZ-GL-N649** as negative amounts and transfers to ADOR will appear as positive amounts.

- The liabilities can occur in one month and the liquidation can occur in the following month.

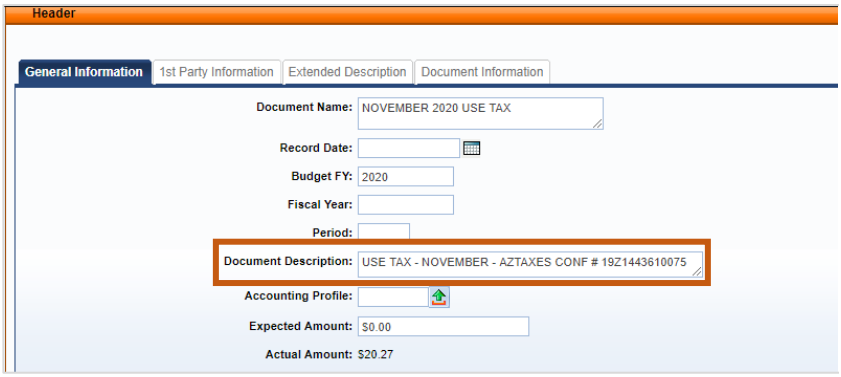
Process Internal Exchange Transaction – Use Tax (IETUT)

Background

An IETUT document is used to transfer out the Use Tax liability (in **BSA 1616**) created through APP transactions to ADOR.

Creating an IETUT document

1. Log into **AFIS. Navigate** to the Document Catalog.
2. **Create** an IETUT document
   - In the **Code** field, enter ***IETUT***
   - Click Create
   - In the **Dept.** field, enter ***your department code***
   - Click **Auto Number** checkbox to generate a unique ID or enter your own unique ID number
   - Click Create
     i. A new document is generated
3. Complete the **Header** component. At a minimum, enter the following information:
   - Record Date
   - Initiator – **Must be set to Provider/Seller**
   - Enter the confirmation number you have received from ADOR/AZTaxes in the **Document Description**.



The confirmation number is provided to you after you successfully file and submit TPT and use tax return on www.aztaxes.gov.

4. Complete the **Exchange Details** component.
   - Click the **Insert New Line**
   - On the **General Information** tab, enter the following information:
     i. In the **Event Type** field, enter ***INZ7***

Note: INZ7 (Liability to Revenue Transfer) is the only available Event Type for this document

ii. In the **Accounting Template** field, enter ***USETAX***

iii. Enter Line Amount

5. Complete the **2nd Party Accounting** component.
   - On the **General Information** tab, at a minimum, enter the following information:
     i. Enter Line Amount
   - On the **Fund Accounting** tab, at a minimum, enter the following information:
     - Department
     - Fund (if not inferred from function)
     - Unit (if not inferred from function)
     - Appr Unit (if not inferred from function)
     - **BSA**: ***1616***
   - On the **Detail Accounting** tab, at a minimum, enter the following information:
     i. Function (if used)
     ii. Task (if not inferred from function)
6. **Validate** the IETUT document
   - Confirm that the document validated successfully in the upper left-hand corner. If it did not, please see your accounting supervisor.
7. **Submit** the IETUT document

Note: The document will be handled through workflow and will be pending the Department Approver.

When creating an IETUT document keep in mind:

- Attach to the IETUT the appropriate documentation to support the transaction.
- If you have filed Use Tax on the AZTaxes.gov electronically, there is no need to complete a paper tax return form. *Please do not attach a paper tax return form.*

Transfer Payment of Use Tax when no Liability was Created

Background

When an invoice was processed in APP and the Use Tax liability was overlooked and not recorded at the time of processing, or a payment was made with a GAX in AFIS (including P-card payments where sales tax is not collected), the liability was not processed. When this occurs, a payment will need to be remitted to the ADOR by an IETAT document.

Review documents (invoices) paid where use tax was not paid and a liability was not created

The objective of reviewing paid invoices, including p-card transactions, without sales tax paid or use tax liability created is to evaluate if use tax is due and ensure ADOR is paid.

When reviewing invoices keep in mind:

- Create a list of the liability due (suggested fields may be invoice #, amount of the invoice, and the amount of use tax due, and the funding elements needed to properly record the liability i.e., Function, Fund, Unit, Appr Unit, BFY, etc.) and total the amount of use tax due.

Process Internal Exchange Transaction (IETAT)

Background

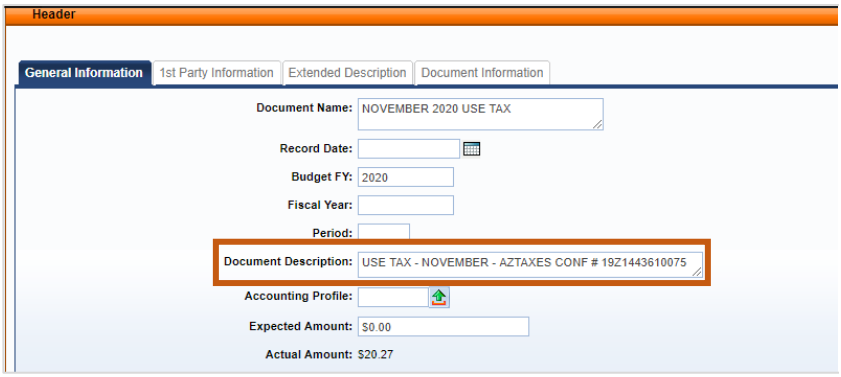
An IETAT document is a two-part document that can be used for Inter- or Intra-Agency payments. This process serves as a replacement for agencies that have accepted payment via the Automated Transfer process in the past.

Creating an IETAT document

Make the payment by using the IETAT process:

1. Log into **AFIS. Navigate** to the Document Catalog.
2. Create an IETAT document
    - In the **Code** field, enter ***IETAT***
    - Click Create
    - In the **Dept.** field, enter ***your department code***
    - Click **Auto Number** checkbox to generate a unique ID or enter your own unique ID number
    - Click Create.
        i. A new document is generated.
3. Complete the **Header** component. At a minimum, enter the following information:
    - Record Date
    - Initiator – ***Must be set to Provider/Seller***

- Enter the confirmation number you have received from ADOR/AZTaxes in the **Document Description**.



The confirmation number is provided to you after you successfully file and submit TPT and use tax return on www.aztaxes.gov

4. Complete the **Exchange Details** component
   - Click the **Insert New Line**
   - On the **General Information** tab, enter the following information:
     i. In the **Event Type** field, enter ***INZ3***

INZ3 (Expenditure to Revenue Transfer) is the only available Event Type for this document

     ii. In the **Accounting Template** field, enter ***USETAX***
     iii. Enter Line Amount
5. Complete the **2nd Party Accounting** component.
   - On the **General Information** tab, at a minimum, enter the following information:
     i. Enter Line Amount
   - On the **Fund Account** tab, at a minimum, enter the following information:
     - Department
     - Fund (if not inferred from function)
     - Unit (if not inferred from function)
     - Appr Unit (if not inferred from function)
     - Object
   - On the **Detail Accounting** tab, at a minimum, enter the following information:
     i. Function (if used)
     ii. Task (if not inferred from function)
6. **Validate** the IETAT document
   - Confirm that the document validated successfully in the upper left-hand corner. If it did not, please see your accounting supervisor.
7. **Submit** the IETAT document.

Note: The document will be handled through workflow and will be pending the Department Approver. The document will then be routed to ADOR for review and approval.

When creating an IETUT document keep in mind:

- Attach to the IETUT the appropriate documentation to support the transaction.
- If you have filed Use Tax on the AZTaxes.gov electronically, there is no need to complete a paper tax return form. Please do not attach a paper tax return form.

Correct Errors in the Use Tax Liability

Background

Occasionally, a liability is created for an incorrect amount. Usually this means the expense is also incorrect. Paying the IETUT will liquidate the liability and remit the funds directly to the ADOR. For any remaining amount in **BSA 1616** that should not have been withheld, use an Internal Exchange Transaction - Balance Sheet (IETBS) document to make this correction.

Review/Reconcile BSA 1616

The objective of reviewing/reconciling **BSA 1616** is to ensure the liability has the correct balance.

1. After running the reports above and making the necessary payments through the transfer processes, if corrections are necessary, adjust the liability by processing an IETBS.
2. Create an IETBS using an event type of INZ0 (Liability to Expense Transfer) to correct the liability and expense.

When reviewing/reconciling **BSA 1616** keep in mind:

- The IETBS process is the same as other IET transfers.

Reference

Quick Reference Guides and Training (GAO Website)

For general training on transfers in General Accounting, see the **General Accounting Training Guide**[2], the **Process an Internal Exchange - Automated Transfer Doc (IETAT)** QRG[3], and the **Processing Internal Transfers** QRG.[4]

InfoAdvantage Reports for Collecting and Paying Use Tax

The following reports are available statewide in InfoAdvantage for Collecting and Paying Use Tax.

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[2] ***General Accounting Training Guide:*** https://gao.az.gov/training/afis-training-resources
[3] ***Process an Internal Exchange - Automated Transfer Doc (IETAT) QRG:*** https://gao.az.gov/training/afis-training-resources
[4] ***Processing Internal Transfers QRG:*** https://gao.az.gov/training/afis-training-resources

Report ID	Name
FIN-AZ-GL-N188	Trial Balance by Department, Fund Class, Fund Group, Fund, and Sub-Fund
FIN-AZ-GL-N649	Balance Sheet Account (BSA) Inquiry