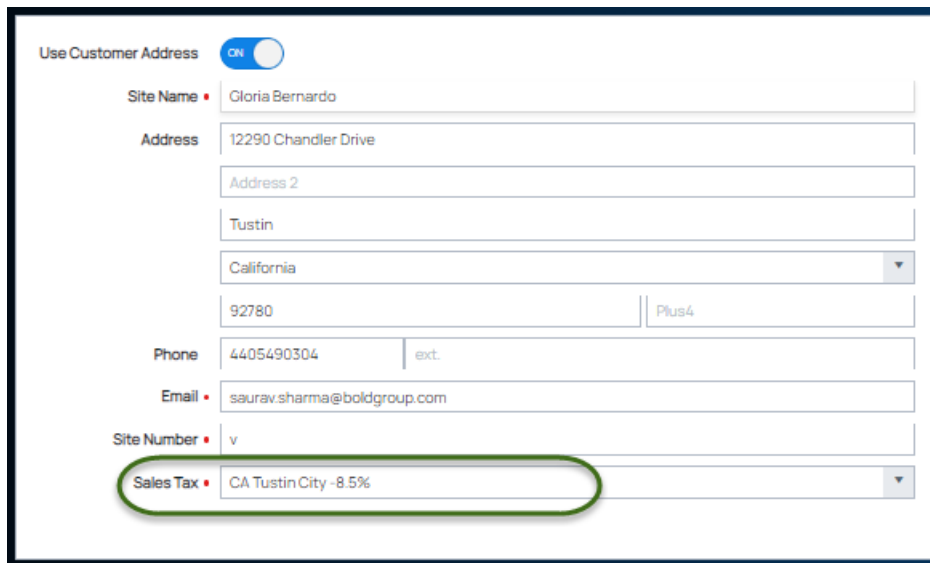# Sales Tax Overview

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For companies that charge sales tax to their customers, you will need to setup the Sales Tax tables and tax rates to be able to perform the tax calculations on invoices and credit memos.

For companies that do not charge sales tax to their customers, you will still need to setup one Sales Tax record with a tax rate of zero.

When creating an invoice or credit memo, the tax calculated is based upon the Sales Tax code assigned to the Site record for the invoice. The Sales Tax code made be overridden when creating the invoice or credit memo.

Things to Consider

Prior to setting up any Sales Tax information, you must first decide the best method for maintaining your Sales Tax rates going forward. For example, if the state in which you are doing business has one tax rate for the entire state, the setup is quite simple. Create one Sales Tax record for each state in which you do business, that has one tax rate statewide.

If you are doing business in one or more states where there are multiple taxing jurisdictions that comprised the total tax rate, there are two methods to accomplish this. One method requires much more work if a sales tax rate changes that affects multiple areas, and the other method makes it much simpler to update tax rates as they occur.

Multiple Taxing Jurisdictions – Setup One Sales Tax Record

The simple method for setup would be to create one Sales Tax record for each multi-jurisdiction area and enter the combined tax rate of all jurisdictions. The problem with this method is maintaining future tax rate changes. For example, we are doing business in three cities in the same state and within the same county. If the state rate changes or the county rate changes, you would have to update the tax rate on three separate Sales Tax records to change the combined rate.

Multiple Taxing Jurisdictions – Setup Multiple Sales Tax Records

The more complex method for setup would be to create a Sales Tax record for each unique taxing jurisdiction, and

then create a Sales Tax record that will be assigned to the Site, and link all the necessary jurisdictions. This takes more time to setup, however, if the state rate changes, you only need to update the information on one Sales Tax record and it will affect all other Sales Tax records linked to that State entity.