

# Working with Use Taxes on Purchase Orders and Purchases

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This guide explains how to handle use taxes with purchases and purchase orders. It is intended for advanced users.

Use Tax is a sales tax on purchases made outside one's state of residence. It applies when you buy taxable items that will be used, stored, or consumed inside one's state of residence as well as when the state of purchase didn't collect any tax. aACE provides several features you can use to help handle these taxes.

## Setting Up a Tax Profile for Use Tax

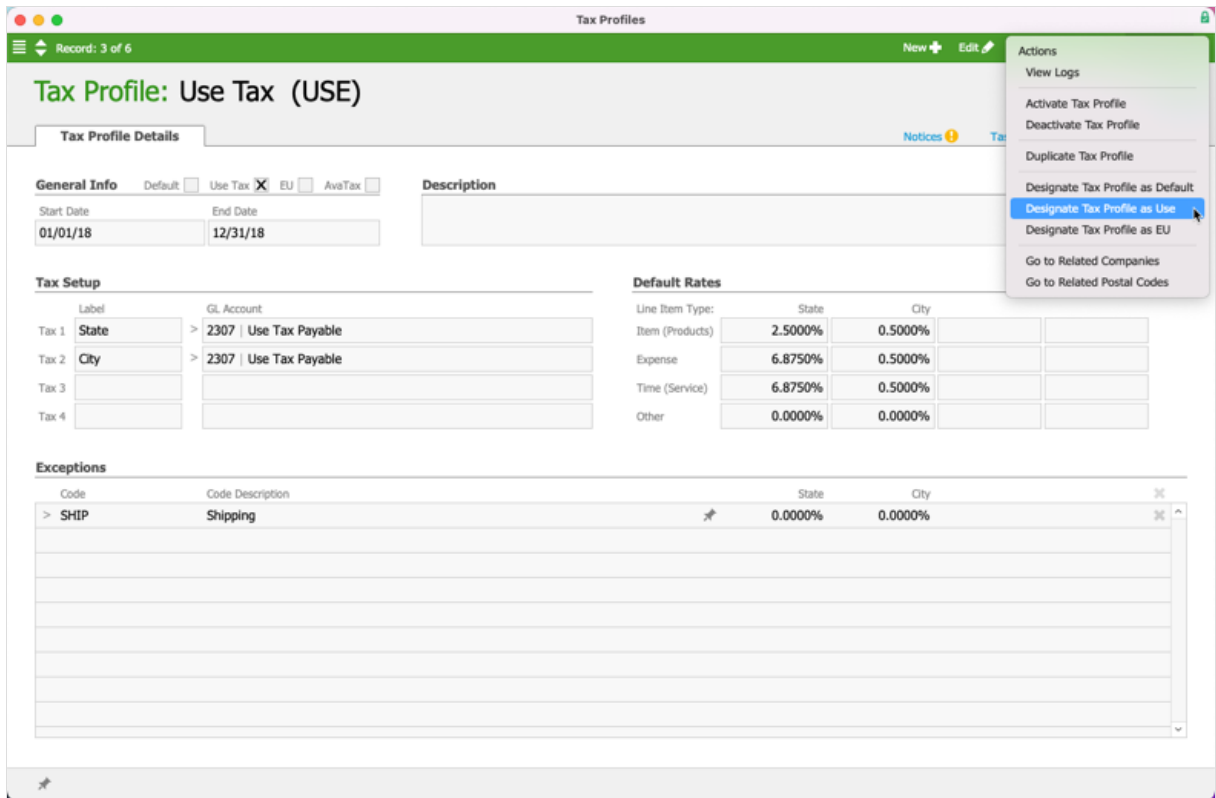
1. Navigate from **Main Menu > Accounting > GL Accounts**.
2. Create a [new GL Account](https://aace6.knowledgeowl.com/help/adding-an-account-to-the-chart-of-accounts) called "Use Tax Payable."

This account collects expenses for the check you'll eventually cut to the government.

The screenshot displays the 'GL Accounts' window for 'GL Account: 2307 Use Tax Payable'. The account is marked as 'ACTIVE'. The 'General Info' section includes a 'Bank' checkbox, 'Header Account' (2300 | Taxes), 'Header Account Type' (Taxes), 'Cash Flow Section' (Accounts Payable), and 'Account Balance' (0.00). Below this is a 'Check Register' table with columns for Date, Transaction ID, Notes, Debit, Credit, Debit Balance, and Status. The table is currently empty.

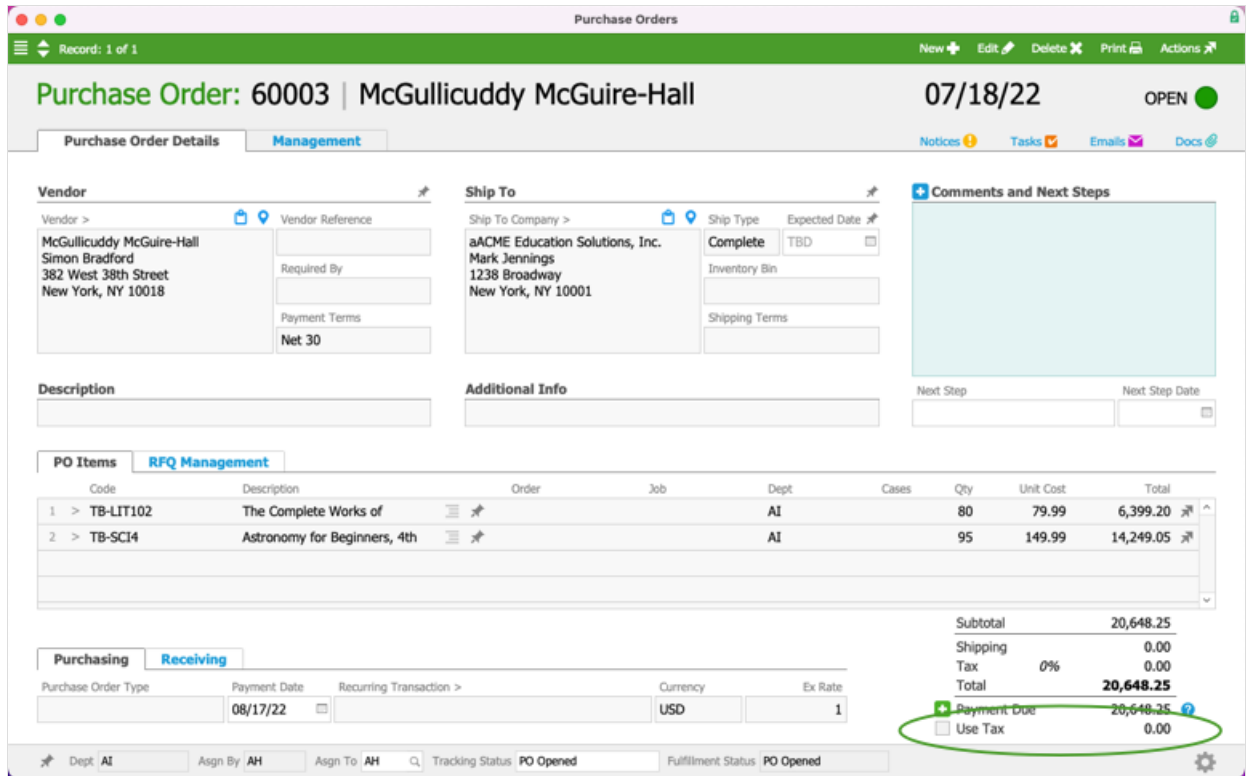
Note: Most businesses that use aACE have a single tax tier going to a single GL Account; however, if you pay use taxes for multiple jurisdictions, you will need multiple GL Accounts.

3. Navigate from **Main Menu > Accounting > Tax Profiles** and create a new tax profile. Set this profile up like other [tax profiles](https://aace6.knowledgeowl.com/help/overview-of-tax-profiles) (https://aace6.knowledgeowl.com/help/overview-of-tax-profiles), with the needed tiers, GL Accounts, default rates, and exceptions.
4. After you save and activate the profile, click **Actions > Designate Tax Profile as Use**. This flags the profile as your system's Use Tax profile. Note: Only one tax profile at a time can be designated as the use tax profile.



## Using the Tax Profile in Purchase Orders and Purchases

When you are editing a PO or a purchase, you can flag it for Use Tax by marking the flag in the Totals section:



aACE checks the LICs and calculates the correct tax for each item, then displays a total use tax value. The Use Tax value is placed *below* the Total field because it is *not* incorporated into the transaction total.

- Purchase Orders – The use tax amount is only an estimate at this point; it does *not* affect the general ledger.
- Purchases – aACE creates general ledger transactions based on calculations from the Use Tax profile.

## Paying Use Taxes

When you're ready to pay the use taxes that have accumulated, navigate to your Use Tax GL account(s). Note the balance there, then do one of the following:

- Create a disbursement using the OTHER type to cut a check.
- Create a general journal entry to reduce the Use Tax GL account(s) balance to zero.

To get the balance of the account as of a certain date, you can also query the general ledger. Note: The Balance field in GL accounts gives you the balance as of the current moment, which may include days' or weeks' worth of use taxes that are *not* due yet.