

# Refunding Taxes on eCommerce Orders

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This guide explains how to handle both a partial and a full tax refund on an ecommerce order. It is intended for advanced users.

The taxes from eCommerce transactions must be accounted for in a different way for refunds. This is because various eCommerce systems calculate taxes in slightly different ways (e.g. rounding logic). When aACE imports an eCommerce order, it sets a tax 'override' field with the total amount that your ecommerce solution calculated for taxes. Because the tax calculation itself is *not* stored in aACE, any adjustment on the invoice will trigger aACE to reverse the total amount recorded in the tax override field.

## Partial Refunds of Taxes on eCommerce Orders

### Configure a Line Item Code for eCommerce Taxes

To correctly account for sales tax when there is a partial refund, you must use a line item code (LIC) to represent the tax. This LIC must have the following specifications:

- LIC Type – OTHER
- Code / Description – Named to be easily recognizable for handling eCommerce tax issues
- Revenue Account – *Must* match the GL account of the tax profile used for web orders
- Preferences – The flag to enable AvaTax should be *cleared*

Add this LIC as a 0.00% exemption on the corresponding [tax profile](#)

(<https://aace6.knowledgeowl.com/help/overview-of-tax-profiles>). This ensures that aACE will not try to calculate additional taxes on taxes. (Note: This double-calculation is unlikely to happen because OTHER-type LICs are typically taxed at 0.00%; however, we recommend taking this precaution.)

If your web orders map to jurisdictional tax profiles based on location, you must create an LIC for *each* jurisdiction. For example, if orders shipping to New York inherit the New York tax profile, and New York taxes map to a New York GL account, then you must create a specific New York Tax LIC.

### Refund Part of eCommerce Taxes

1. After you update the web order and issue any refund in your eCommerce solution, note

the adjusted sales tax that will be levied on the updated order.

2. Locate the invoice generated for the web order.
3. At the detail view, click **Actions > Credit/Adjust Invoice > Continue**.
4. In the adjustment record:
  - A. Remove unaffected items and update invoice lines to reverse the items that were returned. (Note: This step is the same as for orders generated within aACE; be sure to consult your company's policies and procedures on how to account for the data.)
  - B. Add the tax LIC as a new line on the invoice.
  - C. Set the tax LIC's Unit Price to your eCommerce solution's adjusted sales tax amount for the refunded order (noted in Step 1).

Note: Because the aACE adjustment will fully reverse the tax amount, this value must be the new, partial tax amount, in full.
5. Click **Save**.

This workflow results in the original invoice being re-opened. To close out that invoice, you must create a *negative* receipt (i.e. the refund), structured the same as other eCommerce receipts. Make sure your Pmt Method field will be your eCommerce solution and the Bank Account field will be your undeposited eCommerce account.

Note: A disbursement could also be used to resolve the open invoice; however, that would interfere with reconciling your eCommerce deposits later.

## Full Refunds of Taxes on eCommerce Orders

You may find that the *total* tax amount on an eCommerce order needs to be refunded (e.g. the customer is tax exempt, but the order was input with taxes). This refund process also requires using an OTHER-type LIC with the Revenue Account set to match the GL account of the tax profile used for web orders (see above).

1. Locate the invoice generated for the web order.
2. At the detail view, click **Actions > Credit/Adjust Invoice > Continue**.
3. In the adjustment, remove all line items from the order.
4. Add the tax LIC as a new line on the invoice.
5. Set the tax LIC's Unit Price to the full sales tax amount for the order, as calculated by your eCommerce solution.
6. Click **Save**.

As above, you must create a negative receipt to close out the re-opened invoice.

