

The Devil is in the Details....

By Richard A. Vallari CPA, CMI

The ramifications of improper invoicing in connection with Sales Tax can be costly for retailers conducting business in Nevada. To avoid unintended audit exposure, specific rules must be followed. Although these rules are straightforward, businesses may not realize the costly ramifications of incorrect presentation of Sales Tax on their sales invoices.

First and foremost, it's illegal for Nevada retailers to state or indicate that they will pay or absorb the Sales Tax charged to their customer. In addition, it is illegal for retailers not to add Sales Tax to the sales price of the item, or to refund the Sales Tax charged back to the customer. However, a retailer is allowed to discount an item by the amount of the Sales Tax.

One interesting facet in state law is that a retailer may advertise that sales tax is included in the price of the good being sold. However, this statement must be included on the invoice, or in situations where it is not practical to invoice a customer, a sign must be posted in a conspicuous place that informs the purchaser Sales Tax is included in the price of the item.

Invoices with both exempt and taxable charges create additional challenges for the retailer. Service or labor charges may be taxable when sold with tangible property. In order for repair or installation labor to be exempt, it must be separately itemized from charges for tangible property on the invoice. Failure to do so will render the whole invoice taxable.

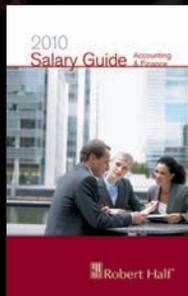
Sales Tax is applicable to delivery charges on the sale of tangible property when these charges are included as part of the sale. A delivery charge shall be deemed exempt and not included in the sale of tangible property when the charge does not pertain to any preparation, handling, crating, or packing services performed by the seller before shipment, and when the charge is stated separately on the invoice. A delivery charge that is not connected with the sale of tangible personal property is a charge for a service and is not subject to Sales Tax.

If a retailer is audited for Nevada Sales and Use Tax, the retailer must estab-

lish, to the satisfaction of the auditor, that sales tax was added to the total amount of the sales price and not absorbed. Under this scenario, the sale price is deemed to be the amount received minus the tax imposed. Nevada law requires the seller to collect the sales tax from the purchaser in trust for the state.

Failure to follow these rules will subject the entire amount of the invoice to sales tax. If this is not discovered until The Department conducts an audit, the retailer will be assessed the tax. This may be a costly oversight.

Rich is the founder of Southwest Sales tax Solutions, LLC. He has 23 years of experience in the accounting industry, including over 20 years of experience handling sales and use tax issues. He also is a member of the Institute of Professionals in Taxation, earning his designation as a CMI. This designation is widely known as a mark of achievement and distinction in the sales and use tax field. You can contact Rich at (702) 233-0049 or by e-mail at rvallari@cox.net.



Top financial talent is always your best investment.

Call today for your **FREE 2010 Salary Guide.**

Las Vegas • 702.415.2000

Reno • 775.828.0969

accountemps.com • roberthalf.com



Accountemps®

A Robert Half Company



Robert Half®

Finance & Accounting