



Setup Guide

Business Office Tax Groups

November 2005

Group Description	Describes the state or locality the tax group applies to.
Preferred: Finance	Set this prompt to Y if this is the default tax group for finance deals.
Preferred: Lease	Set this prompt to Y if this is the default tax group for lease deals.
Tax Capital Reduction	Set this prompt to Y to charge sales tax on cap reduction (down payment). This is usually set to Y.
Capitalize Tax Default	Set this prompt to Y to compute the sales tax on the monthly payments and roll the tax into the capitalized cost. This preference can be changed on each deal.
Conversion Factor	Only applies on NY lease taxes. When the lump sum sales tax is capitalized in NY, the tax amount is multiplied by this factor as a "penalty" for not paying it at the time the lease is signed.
Tax Net Trade Cap Reduction	Set this prompt to Y to charge sales tax on the amount the capitalized cost is reduced by trade equity. This is usually set to N.
Add Tax to Amt Financed	Set the prompt to Y to compute the tax and add it to the amount financed. This is the normal setting for most states. If you set it to N, it will compute and display the amount of sales tax, but it will not add it to the amount financed and thus will not be part of the payment.
Tax Service Contract Separately	Set this prompt to Y to compute the sales tax on the retail price of the vehicle and the service contract separately. This would only have an effect if the trade allowance was greater than the sale price of the vehicle. In that case the service contract sales tax would not be reduced by the trade allowance.
Tax Methods	Select the correct tax method. Use function F4 to display a list. Methods are defined by state.
Tax Method 1	Standard – Retail taxable base: Price – trade allowance + taxable service contracts, AMOs, and fees. Lease taxable base: Monthly payment.
Tax Method 2	New York – Lease taxable base: Monthly payment * term if paid up front. Monthly payment x term x factor if rolled into cap cost. The factor increases the amount of the tax when it is rolled in; i.e., the consumer pays more tax when it is rolled in than if they pay it up front.
Tax Method 3	New Jersey – Lease taxable base: Price – residual + acquisition fee. May be paid up front or as part of cap cost.
Tax Method 4	Vermont – Lease taxable base: Price – rebate – net residual + taxable AMOs + taxable fees - purchase option fee. May be paid up front or as part of cap cost.
Tax Method 5	Utah – Lease taxable base: Monthly payment. Taxes may not be rolled into cap cost or paid up front.
Tax Method 6	North Dakota – Lease taxable base: Monthly payment. Taxes may not be rolled into cap cost or paid up front.
Tax Method 7	Illinois – Lease taxable base: Price – trade allowance + acquisition fee + (all taxable fees). May be paid up front or part of cap cost. See the discussion of the Chicago payment tax under the Type section below.
Tax Method 8	Iowa – Lease taxable base: Monthly payment * term. May be paid up front or as part of cap cost.
Tax Method 9	Colorado – Lease taxable base: Monthly payment. Each individual tax (state, county, city, etc.) can be paid up front or as part of the monthly payment. The only tax that can be in the cap cost is the cap reduction tax.
Tax Method 10	South Carolina – Lease taxable base: Monthly payment * term. May be paid up front or as part of cap cost.
Tax Method 11	Minnesota – Lease taxable base: Price + taxable AMO + rent charge – rebates – trade allowance. May be paid up front or as part of cap cost.
FET/Trade ACV	Since Federal Luxury Tax has been phased out, this prompt no longer has a use. Set this prompt to Y to add the ACV of the trade-in to the selling price to determine the amount subject to Federal Excise Tax (luxury tax). As far as we know this only applies to NMAC deals in Oregon. Dealerships were reducing the trade allowance and reducing the price of the sale vehicle to reduce the luxury tax liability; so NMAC forced dealerships to add ACV to the selling price to compute luxury tax.
Tax Description	Describe the tax for each entity, e.g., STATE SALES TAX, BROWARD COUNTY TAX, etc.
Rate	Enter the tax rate as whole numbers, (e.g., enter 6.35% (0.0635) as 6.35.)
T* (Type)	There are 4 different types of taxes as explained below.
Gross Receipts Tax	(G) A gross receipts tax is assessed on all taxable sales and is subject to the regular sales tax. In other words, the gross receipts tax is computed and added to the taxable base before the sales tax is computed. In some states a gross receipts tax can also apply to a lease. If they are using the standard tax method and set up a gross receipts tax, on a lease it will compute a taxable base and multiply the taxable base by the

	gross receipts tax rate and add it as an additional charge up front. The formula for taxable base is: TAXABLE BASE = PRICE - TRADE ALLOWANCE (if ET=Y) + TAXABLE SERVICE CONTRACTS + TAXABLE AMO + TAXABLE FEES.
Florida Documentary Stamp Tax	(S) This tax is computed as follows: $\{((\text{Amount financed} * \text{tax rate}) + \text{Amount financed}) / 100 @ \text{rounded up to the next dollar}\} * \text{tax rate} / 100$. For example: $\{(24414.67 * .0035) + 24414.67\} / 100 @ \text{rounded up} * .0035 * 100 = 86.10$ $\{(85.451) + 24414.67\} / 100 @ \text{rounded up} * .0035 * 100 = 86.10$ $(24500.121 / 100) @ \text{rounded up} * .0035 * 100 = 86.10$ $245.001 @ \text{rounded up} * .0035 * 100 = 86.10$ $246.00 * .0035 * 100 = 86.10$
Chicago payment tax	(P) This type only works for the Illinois tax method. Illinois taxes are computed on a taxable base and can be paid up front or capitalized. In Chicago, however, there is in addition to the lump sum tax, a tax on the monthly payment. Set this field to P to compute a tax on the monthly payment in addition to the lump sum tax computed on the taxable base. Note that this type is not allowed on the first line of the tax rates.
Taxable lease tax	(L) This type of tax is used by the standard method and is a tax on the base payment which is then added to the base payment to produce the taxable monthly payment. All other taxes on the monthly payment will be computed on the sum of the base payment and the taxable lease tax.
R (Tax rebate)	Set this column to Y if the rebate is taxable by each type of tax. This is a very important and controversial prompt and is governed by state law. If there is any question you can call the State Tax Commission for that state.
ET (Exclude trade)	Exclude Trade: This is almost always set to Y. Set this prompt to Y to exclude the Trade Allowance from the taxable sales price.
C (Capitalize tax)	This is the capitalize sales tax default for leases. Set this to Y to default the sales tax to being capitalized on leases. This way you can default one sales tax line to capitalized and the other to up front. Leave this blank for the New York tax method.
Threshold	This is usually 0 for sales tax. It applies to the luxury tax, meaning do not tax amounts below this threshold.
Ceiling	This is usually 999999 meaning the tax applies to sales under this amount. Occasionally, such as in Florida or on some Native American Indian reservations, a tax will only apply to the first \$2,500.00 (for example) of the taxable sale. In this case, key in 2500 as the ceiling.
Account	Enter the liability account to be credited for the amount of the tax. Note: they can credit different accounts for the different types of taxes.
Vendor	Usually this field is left blank. A valid vendor number only needs to be entered here if the dealership wants to control their sales tax account by vendor number rather than by stock number. Check the Dealership Workbook.

