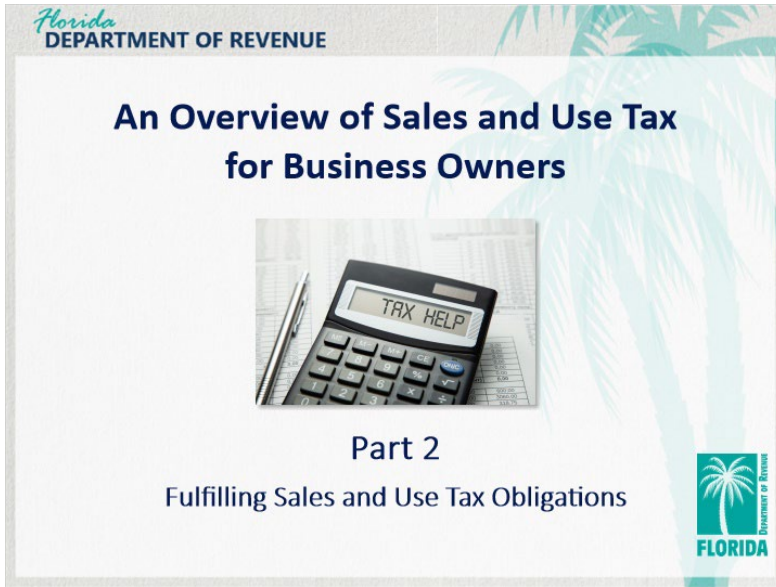


# An Overview of Sales and Use Tax for Business Owners: Part 2

## 1. Introduction

### 1.1 Welcome



#### Script:

Welcome to *An Overview of Sales and Use Tax for Business Owners: Fulfilling Sales and Use Tax Obligations*.

In this tutorial, we discuss the business owner's obligation to collect sales tax and discretionary sales surtax from customers and calculating the amount of tax owed.

## 1.2 Navigation

**Transcript Tab**

A transcript of the audio is available by clicking on the **Transcript** tab in the top-left corner of your screen.

The following tabs and buttons are available to help you navigate through this tutorial:

**Menu Tab**

This tab displays by default when the tutorial is viewed on a computer. It allows you to navigate through the tutorial by clicking the topic name on the menu. When viewing this tutorial on a tablet or smartphone, the menu does not display by default and must be accessed using the menu symbol.

**Resources Tab**

This tab is found to the right side of the top bar. When clicked, it displays a list of links to useful forms, documents, and webpages.

**Previous and Next Buttons**

The Previous and Next buttons are located at the bottom right corner of your screen. These buttons allow you to move either back or forward.

### Script:

This tutorial will take approximately 20 minutes to complete. A transcript of the audio is available by clicking on the Transcript tab in the top-left corner of your screen.

The following tabs and buttons are available to help you navigate through this tutorial.

### Menu Tab

The Menu tab displays by default when the tutorial is viewed on a computer. It allows you to navigate through the tutorial by clicking the topic name on the menu. When viewing this tutorial on a tablet or smartphone, the menu does not display by default and must be accessed using the menu symbol.

### Resources Tab

The Resources tab is found to the right side of the top bar. When clicked, it displays a list of links to useful forms, documents, and webpages.

### Previous and Next Buttons



The Previous and Next buttons are located at the bottom-right corner of your screen. These buttons allow you to move either back or forward.

## 1.3 Topics

*Florida*  
**DEPARTMENT OF REVENUE**

### Topics

- ✓ Obtaining and Using a *Florida Annual Resale Certificate*
- ✓ Meeting Your Sales and Use Tax Obligations
- ✓ Collecting Sales Tax and Discretionary Sales Surtax
- ✓ Calculating the Amount of Tax Owed

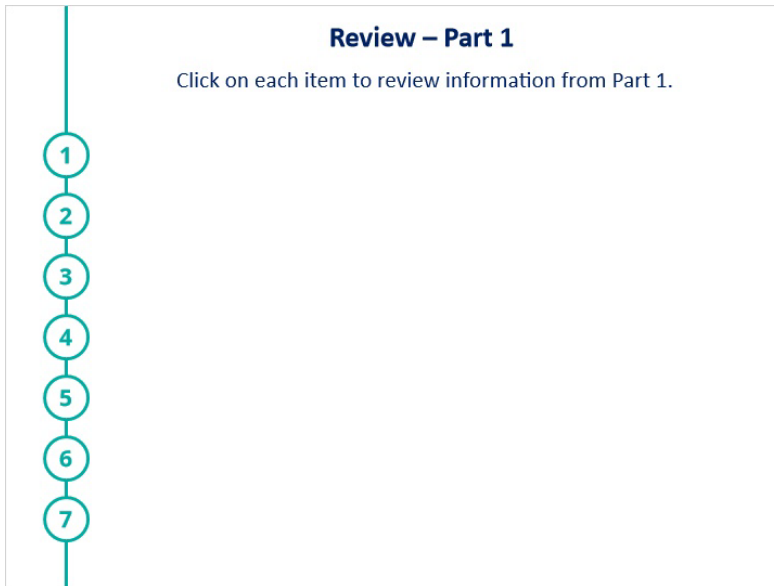


### Script:

Topics for this tutorial include:

- Obtaining and Using a *Florida Annual Resale Certificate*
- Meeting Your Sales and Use Tax Obligations
- Collecting Sales Tax and Discretionary Sales Surtax
- Calculating the Amount of Tax Owed

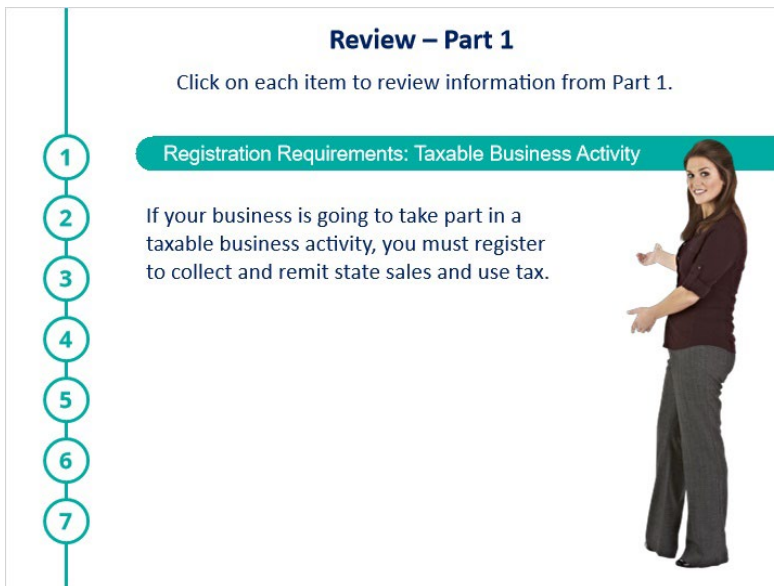
## 1.4 Review of Part 1



### Script:

Click on each item to review information from Part 1.

### Layer 1 (Slide Layer)



1. If your business is going to take part in a taxable business activity, you must register to collect and remit state sales and use tax.

## Layer 2 (Slide Layer)

1

2

3

4

5

6

7

### Review – Part 1

Click on each item to review information from Part 1.

#### Registration Requirements: How to Register

You register by completing the *Florida Business Tax Application* (Form DR-1). This can be done online at [floridarevenue.com](http://floridarevenue.com), or by paper application.



2. You register by completing the Florida Business Tax Application (Form DR-1). This can be done online at [floridarevenue.com](http://floridarevenue.com), or by paper application.

## Layer 3 (Slide Layer)

1

2

3

4

5

6


7

### Review – Part 1

Click on each item to review information from Part 1.

#### Registration Requirements: After You Register

Once you have registered, you will receive some important documents, including a *Certificate of Registration* (Form DR-11) and a *Florida Annual Resale Certificate for Sales Tax* (Form DR-13).



3. Once you have registered, you will receive some important documents, including a *Certificate of Registration* (Form DR-11) and a *Florida Annual Resale Certificate for Sales Tax* (Form DR-13).

## Layer 4 (Slide Layer)

1

2

3

4

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6

7

**Review – Part 1**

Click on each item to review information from Part 1.

**Business Owners' Responsibilities: Collecting Tax**

As a business owner, you are responsible for collecting sales tax and discretionary sales surtax.



4. As a business owner, you are responsible for collecting sales tax and discretionary sales surtax.

## Layer 5 (Slide Layer)

1

2

3

4

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6


7

**Review – Part 1**

Click on each item to review information from Part 1.

**Business Owners' Responsibilities: Use Tax**

You are responsible for paying use tax on items intended for resale but used for the business instead, and on items purchased from an out-of-state business when no sales tax is collected. This also applies to items purchased for the business's own use from an out-of-state business.



5. You are responsible for paying use tax on items intended for resale but used for the business instead, and on items purchased from an out-of-state business when no sales tax is collected. This also applies to items purchased for the business's own use from an out-of-state business.

## Layer 6 (Slide Layer)

1

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4

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6


7

**Review – Part 1**

Click on each item to review information from Part 1.

**Business Owners' Responsibilities: Remit Tax**

You are expected to remit all tax collected.



6. You are expected to remit all tax collected to the Department.

## Layer 7 (Slide Layer)

1

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6


7

**Review – Part 1**

Click on each item to review information from Part 1.

**Business Owners' Responsibilities: Keep Records**

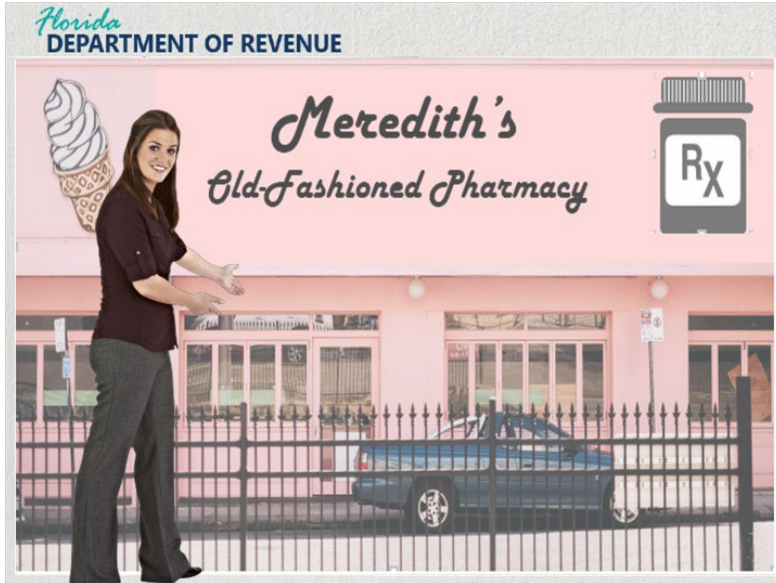
It is required that you keep specific, accurate records and maintain them for at least three years.



7. It is required that you keep specific, accurate records and maintain them for at least three years.

## 2. Florida Annual Resale Certificate

### 2.1 Hello, Meredith!



#### Script:

In Part 1 of the *Overview of Sales and Use Tax for Business* series, we met Meredith, an entrepreneur opening her own old-fashioned pharmacy.

*[Meredith]: Hi, remember me?*

Hi, Meredith. Have you registered your business yet?


*[Meredith]: Yes, I completed my Florida Business Tax Application (Form DR-1) online. Didn't you say I was supposed to receive some documents?*


I'm glad to hear it! And yes, you should have. I'd like to talk with you a little bit more about one of those documents in particular, the *Florida Annual Resale Certificate for Sales Tax* (Form DR-13).

*[Meredith]: Sounds good!*



## 2.2 Florida Annual Resale Certificate

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### Florida Annual Resale Certificate

- ✓ One very important document for business owners is the *Florida Annual Resale Certificate*.
- ✓ This certificate allows you to make tax-exempt purchases or rentals of property or services for resale.

### Script:

One very important document that business owners will receive after registering to collect and remit sales and use tax is the *Florida Annual Resale Certificate*.

*[Meredith]: What makes this document so important?*

This certificate allows you to make tax-exempt purchases or rentals of property or services for resale.

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### Examples of Using the Resale Certificate

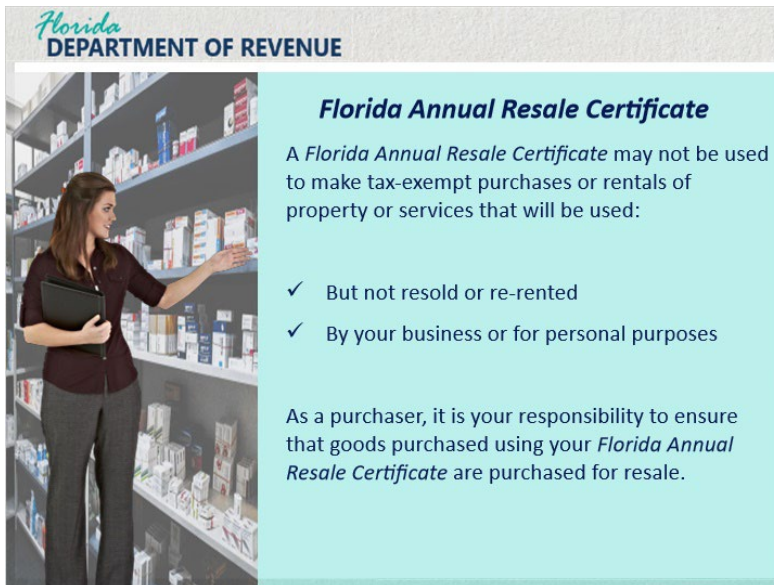
- ✓ Resale or re-rental of tangible personal property
- ✓ Re-rental of commercial real property
- ✓ Re-rental of transient rental property
- ✓ Resale of services
- ✓ Incorporation into and sale as part of the repair of tangible personal property by a repair dealer
- ✓ Incorporation as a material, ingredient, or component part of tangible personal property that is being produced for sale by manufacturing, compounding, or processing



Examples of purchases or rentals you can make tax-exempt include:

- Resale or re-rental of tangible personal property
- Re-rental of commercial real property
- Re-rental of transient rental property
- Resale of services
- Incorporation into and sale as part of the repair of tangible personal property by a repair dealer
- Incorporation as a material, ingredient, or component part of tangible personal property that is being produced for sale by manufacturing, compounding, or processing

### 2.3 Annual Resale Certificate Continued



The graphic features the Florida Department of Revenue logo at the top left. Below it is a photograph of a woman in a pharmacy aisle, holding a clipboard and reaching for a box on a shelf. To the right of the photo is a light blue text box with the following content:

**Florida Annual Resale Certificate**

A *Florida Annual Resale Certificate* may not be used to make tax-exempt purchases or rentals of property or services that will be used:

- ✓ But not resold or re-rented
- ✓ By your business or for personal purposes

As a purchaser, it is your responsibility to ensure that goods purchased using your *Florida Annual Resale Certificate* are purchased for resale.

**Script:**

*[Meredith]: I am still waiting on my Florida Annual Resale Certificate, but I have vendors calling and offering to sell me inventory. If I'm going to receive it soon anyway, can I save some time and just go ahead and buy the inventory?*

Unfortunately, you can't. You must wait until your *Florida Annual Resale Certificate* is approved and you have received it to purchase items tax-exempt.

*[Meredith]: OK, I'll wait.*

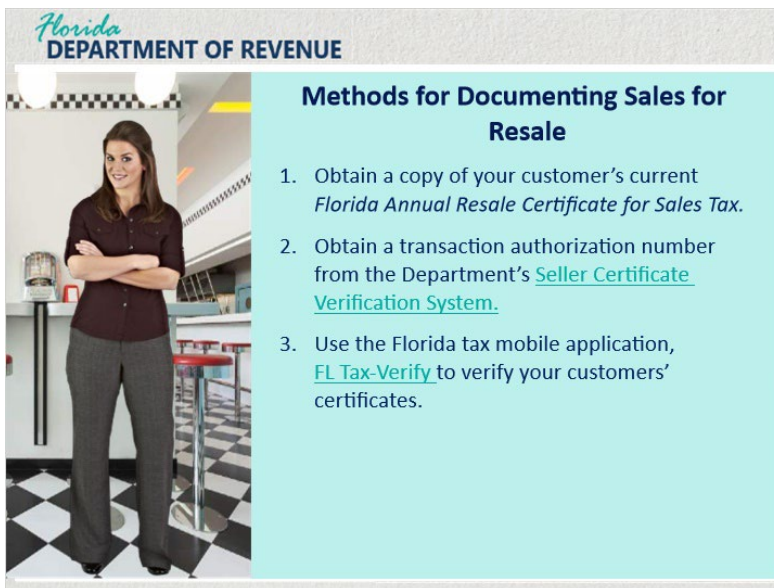
A *Florida Annual Resale Certificate* may not be used to make tax-exempt purchases or rentals of property or services that will be used but not resold or re-rented.

You also cannot use an *Annual Resale Certificate* on items to be used by your business or for personal purposes.

To make tax-exempt purchases of items or services you will resell, provide a copy, paper or electronic, of your *Annual Resale Certificate* or your certificate number to the seller.

As a purchaser, it is your responsibility to ensure that goods purchased using your *Florida Annual Resale Certificate* are purchased for resale. If the goods purchased for resale are later used by the business and not resold, you are responsible for reporting and paying use tax and surtax on the items.

## 2.4 Accepting a Florida Annual Resale Certificate



The graphic features the Florida Department of Revenue logo at the top left. On the left side, a woman in a dark shirt and grey pants stands with her arms crossed in a cafe setting. On the right side, a light blue box contains the title "Methods for Documenting Sales for Resale" and a numbered list of three methods.

**Florida DEPARTMENT OF REVENUE**

**Methods for Documenting Sales for Resale**

1. Obtain a copy of your customer's current *Florida Annual Resale Certificate for Sales Tax*.
2. Obtain a transaction authorization number from the Department's [Seller Certificate Verification System](#).
3. Use the Florida tax mobile application, [FL Tax-Verify](#) to verify your customers' certificates.

### Script:

*[Meredith]: So, if I can buy things tax-exempt from other businesses, does that mean they can buy taxable items tax-exempt from me?*

Yes. Other businesses may buy items or services from you tax-exempt for resale by providing you with a copy of their current *Florida Annual Resale Certificate*.

All of these sales must all be documented. There are several methods for documenting sales for resale.

The first way is that you can obtain a paper or electronic copy of your customer's current *Florida Annual Resale Certificate*. Maintain copies of the certificates for three years.

Secondly, you can obtain a transaction authorization number from the Department of Revenue's Seller Certificate Verification System on the Department's website. Keep a record of all verification response reports to document your tax-exempt sales.

Another way to get transaction authorization numbers is to do a batch upload through the system by obtaining an authorization number for your regular customers using the Department's Seller Certificate Verification System. Results can be retrieved within 24 hours. You do not need to save a copy of your customer's *Florida Annual Resale Certificate* when you maintain transaction authorization or vendor authorization numbers for tax-exempt sales for resale.

Finally, you can use the Florida tax mobile application, Florida Tax-Verify, to verify your customers' certificates. This application is available on Apple and Android devices. Use this app to verify that your customers' *Florida Sales and Use Tax Resale or Exemption Certificates* are valid before making tax exempt sales.

If you use this option, you can send an email of the records of verification from your phone.

## 2.5 Scenario #1



### Scenario #1

Dan owns a business that sells tires wholesale. Andy wants to buy tires from him tax-exempt for his auto body shop. Dan asks him for his *Florida Annual Resale Certificate* before making the sale. Andy says he doesn't have a copy with him, but asks if he can still purchase the tires tax-exempt.

Luckily, Dan has his phone with him and checks the FL Tax-Verify Mobile App to verify Andy's certificate number. However, it turns out his certificate number cannot be verified. Dan tells Andy that he is sorry, but he will not be able to sell him the tires tax-exempt.

### Script:

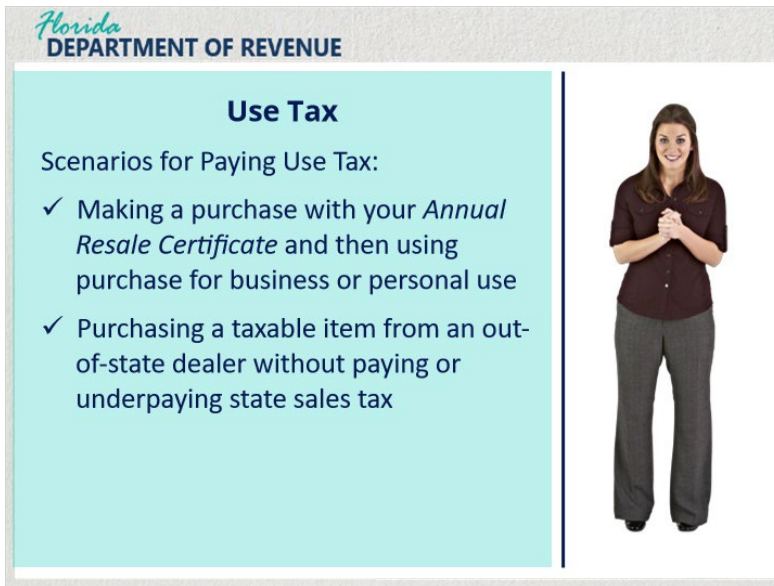
Here's an example for you.

Dan owns a business that sells tires wholesale. Andy wants to buy tires from him tax-exempt for his auto body shop. Dan asks him for his *Florida Annual Resale Certificate* before making the sale.

Andy says he doesn't have a copy with him, but asks if he can still purchase the tires tax-exempt.

Luckily, Dan has his phone with him and checks the FL Tax-Verify Mobile App to verify Andy's certificate number. However, it turns out his certificate number cannot be verified. Dan tells Andy that he is sorry, but he will not be able to sell him the tires tax-exempt.

## 2.6 Use Tax

An infographic from the Florida Department of Revenue titled "Use Tax". It lists two scenarios for paying use tax: 1. Making a purchase with your Annual Resale Certificate and then using the purchase for business or personal use. 2. Purchasing a taxable item from an out-of-state dealer without paying or underpaying state sales tax. To the right of the text is a photo of a smiling woman with her hands clasped.

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### Use Tax

Scenarios for Paying Use Tax:

- ✓ Making a purchase with your *Annual Resale Certificate* and then using purchase for business or personal use
- ✓ Purchasing a taxable item from an out-of-state dealer without paying or underpaying state sales tax

### Script:

*[Meredith]: I have a question. I have heard you mention something called "use tax." What is that exactly? And when do I have to pay it?*

Use tax is tax due on the use or consumption of taxable goods or services when Florida sales tax was not paid at the time of purchase.

For example, if you make a purchase using your *Florida Annual Resale Certificate* to re-sell or re-rent to other consumers and then use the items bought for your business or for personal use, you owe use tax.

Another common scenario is when a business purchases a taxable item outside Florida and brings it into, or has it delivered into, Florida. If they did not pay sales tax equal to Florida's sales tax rate, they may owe use tax.

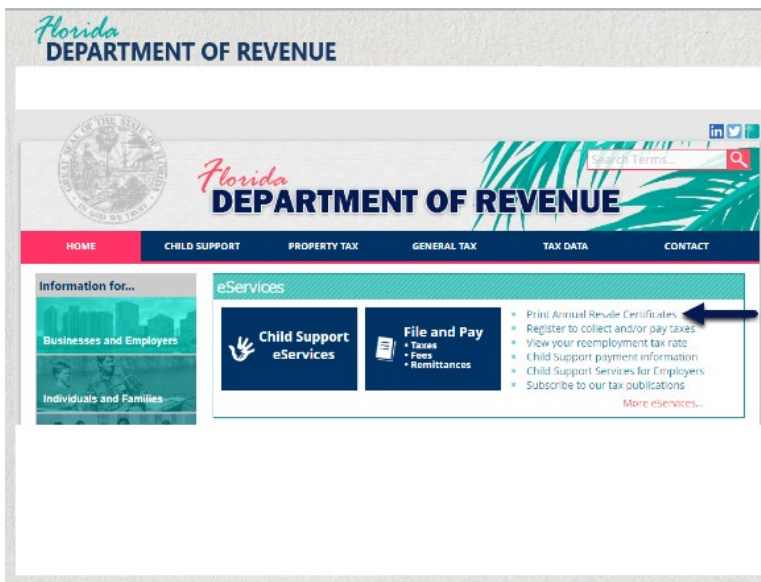


## 2.7 How to Reprint Your Resale Certificate



### Script:

There may come a time when you need to reprint a copy of your Florida Annual Resale Certificate. To do so, follow these instructions:

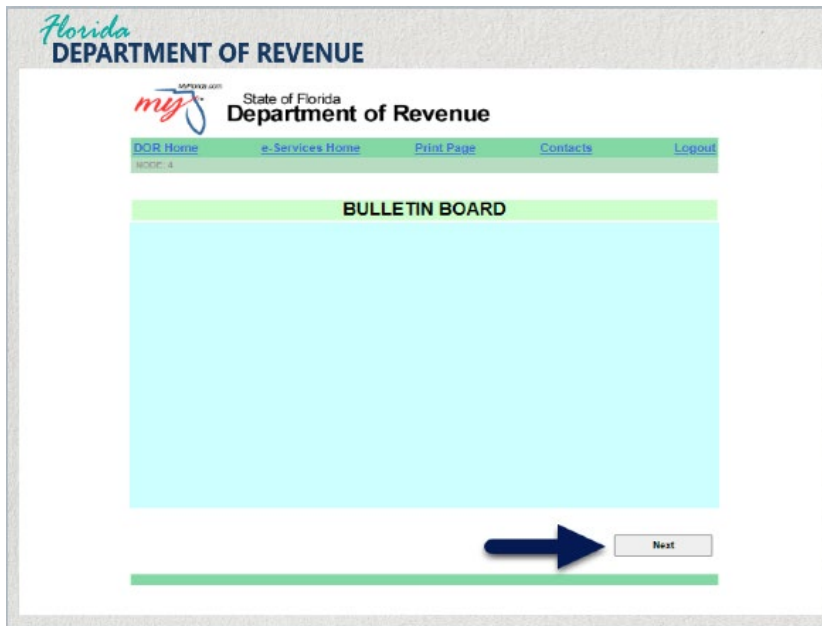


From the Department of Revenue's homepage, **floridarevenue.com**, select **Print Annual Resale Certificates**.

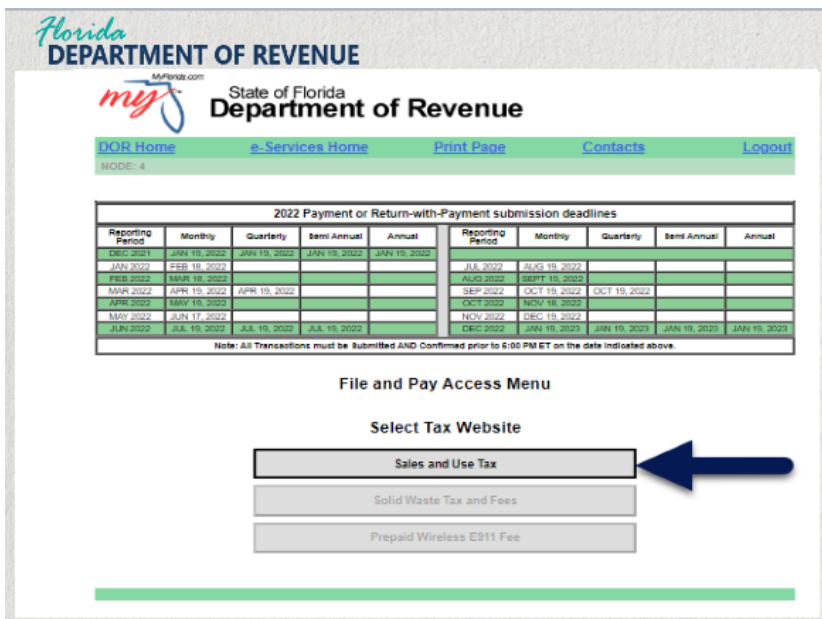


You will be taken to a page with the heading **Print Annual Resale Certificates**. Select the button that says **Print Sales Tax Annual Resale Certificate**.

Log in using your user ID and password. If you do not have a user ID and password, you can log in using your certificate number and business partner number. The Business Partner number (BP) is located on the back of your Certificate of Registration or on the upper right corner of the Reemployment Tax Liability Notice.



On the Bulletin Board page, click **Next**.



Under the File and Pay Access menu, select **Sales and Use Tax**.



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Department of Revenue

[DOR Home](#)
[e-Services Home](#)
[Print Page](#)
[Contacts](#)
[Logout](#)

[Sales Tax](#) - [Click for Help](#)

WELCOME

**Choose Activity**

**File and Pay**

DR-15 (Sales and Use Return)

Amended DR-15 (Sales and Use Return)


**Payment Only**  
(Choice does NOT include a tax return)

Other Sales and Use Tax Payments

**Other Options**

Print Resale Certificate(s)

Reprint Confirmation Page(s)



From there, select **Print Resale Certificate(s)** under Other Options.


## 2.8 Knowledge Check #1

Florida  
DEPARTMENT OF REVENUE

**Knowledge Check #1**

Select all the items that describe circumstance(s) in which a *Florida Annual Resale Certificate* can be used.

- ☒ Re-rental of commercial rental property
- ☐ To provide items for your business or for personal use
- ☒ Resale of services
- ☒ Incorporation as a material, ingredient, or component part of tangible personal property that is being produced for sale



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Correct	Choice
X	Re-rental of commercial rental property
	To provide items for your business or for personal use
X	Resale of services
X	Incorporation as a material, ingredient, or component part of tangible personal property that is being produced for sale

### 3. Collecting Sales Tax and Discretionary Surtax

#### 3.1 Sales Tax Rates

The graphic features the Florida Department of Revenue logo at the top left. Below it, the title "Sales Tax" is centered. The text explains that sales tax is added to the price of taxable goods or services and collected from the purchaser at the time of sale. It also states that Florida's general sales tax rate is 6%. A teal button at the bottom left says "Click here for an example." To the right of the text is a full-length photo of a woman with her arms crossed.

#### Script:

*[Meredith]: I have registered, received my Certificate of Registration and my Annual Resale Certificate. I also bought my inventory. Now I am officially about to open my business. So, what's next?*

That's a great question. Once you have opened your business, you must collect and remit sales tax. Sales tax is added to the price of taxable goods or services and collected from the purchaser at the time of sale.

Tax must be separately stated on the invoice or receipt and is collected based on sales price. Each sale, admission, storage, or rental in Florida is taxable, unless the transaction is exempt. Florida's general state sales tax rate is 6%.

A graphic from the Florida Department of Revenue titled "Sales Tax". It lists "Florida Tax Rates" with five items: General Sales Tax - 6%, Retail Sales of New Mobile Homes - 3%, Amusement Receipts - 4%, Rental, Lease, or License of Commercial Real Property - 4.5%, and Electricity - 6.95%. Each item is preceded by a checkmark. Below the list is a green button that says "Click here for an example.". To the right of the list is a vertical line, and to the right of the line is a woman in a dark shirt and pants, standing with her hand on her chin in a thinking pose.

*Florida*  
**DEPARTMENT OF REVENUE**

**Sales Tax**

**Florida Tax Rates**

- ✓ General Sales Tax - 6%
- ✓ Retail Sales of New Mobile Homes - 3%
- ✓ Amusement Receipts - 4%
- ✓ Rental, Lease, or License of Commercial Real Property - 4.5%
- ✓ Electricity - 6.95%

[Click here for an example.](#)

There are a few exceptions of items that are taxed at more or less than 6%:

- 3% on the sale of new mobile homes.
- 4% on amusement receipts such as coin-operated games or jukeboxes
- 4.5% on leasing or licensing of commercial real property
- 6.95% on electricity

Please note that depending on the Florida county you are operating in, there may be discretionary sales surtax (DSS) due along with the state sales tax.

We will cover DSS shortly.

Click the button on this slide for an example.


## Example (Slide Layer)

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### Sales Tax Example

If you sell a family five milkshakes for **\$20.00**, then you would collect **\$1.20** in sales tax.

The general tax rate for Florida is 6% (**0.06**).

$$[20.00] \times [\$0.06] = \$1.20$$


If you sell a family five milkshakes for \$20.00, then you would collect \$1.20 in sales tax.  
The general tax rate for Florida is 6% (0.06).  
20 times \$0.06 = \$1.20.

## 3.2 Sales Tax Rates


Florida  
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### Proper Collection of Tax

Calculating Tax Due  
 $[\text{Taxable Sale Amount}] \times [\text{Total Tax Rate}] = \text{Tax Due on Sale}$

Calculating Tax Rate  
 $[\text{State Sales and Use Tax Rate}] + [\text{Surtax Rate}] = [\text{Total Tax Rate}]$

- ✓ The total tax due must be calculated on each sale.
- ✓ The tax must be shown separately on each invoice.



Script:

[Meredith]: I'm a little nervous about collecting taxes. I want to make sure I do everything right.

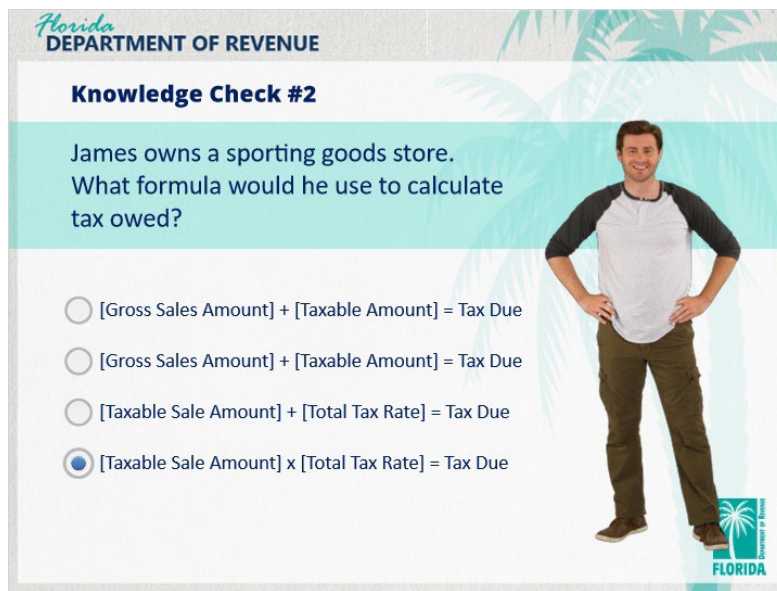
You don't need to be nervous. I'm sure you'll do fine. However, collecting the right amount of tax is important because mistakes may cost you money. Business owners must calculate the total tax due by multiplying the taxable sale amount by the total tax rate.

[Meredith]: How do you determine the tax rate?

The tax rate is calculated by adding the applicable state sales and use tax rate to the discretionary sales surtax rate.

The total tax due must be calculated on each sale. The tax must be shown separately on each invoice and may be calculated on either the combined taxable amount or the individual taxable amounts on an invoice.

### 3.3 Knowledge Check #2

A graphic from the Florida Department of Revenue titled "Knowledge Check #2". It features a man in a grey and black baseball shirt and dark pants standing with hands on hips. The text asks: "James owns a sporting goods store. What formula would he use to calculate tax owed?" Below the question are four radio button options. The first three are unselected, and the fourth is selected.

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**Knowledge Check #2**

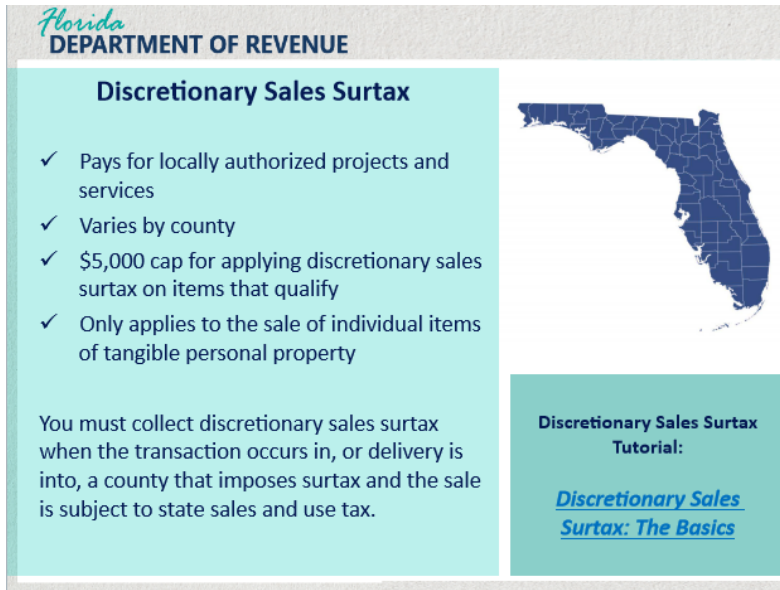
James owns a sporting goods store.  
What formula would he use to calculate  
tax owed?

- ☐ [Gross Sales Amount] + [Taxable Amount] = Tax Due
- ☐ [Gross Sales Amount] + [Taxable Amount] = Tax Due
- ☐ [Taxable Sale Amount] + [Total Tax Rate] = Tax Due
- ☒ [Taxable Sale Amount] x [Total Tax Rate] = Tax Due

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Correct	Choice
	[Gross Sales Amount] + [Taxable Amount] = Tax Due
	[Gross Sales Amount] + [Taxable Amount] = Tax Due
	[Taxable Sale Amount] + [Total Tax Rate] = Tax Due
X	[Taxable Sale Amount] x [Total Tax Rate] = Tax Due

### 3.4 Discretionary Sales Surtax



The graphic is a slide from the Florida Department of Revenue. It features a light blue background with a darker blue header. The header includes the Florida Department of Revenue logo and the title 'Discretionary Sales Surtax'. To the right of the text is a map of Florida with its counties outlined. Below the map is a teal box containing a link to a tutorial. The main text area on the left contains a bulleted list of key points and a paragraph explaining when the surtax is collected.

**Florida**  
**DEPARTMENT OF REVENUE**

#### Discretionary Sales Surtax

- ✓ Pays for locally authorized projects and services
- ✓ Varies by county
- ✓ \$5,000 cap for applying discretionary sales surtax on items that qualify
- ✓ Only applies to the sale of individual items of tangible personal property

You must collect discretionary sales surtax when the transaction occurs in, or delivery is into, a county that imposes surtax and the sale is subject to state sales and use tax.

**Discretionary Sales Surtax Tutorial:**

[Discretionary Sales Surtax: The Basics](#)

#### Script:

*[Meredith]: You just mentioned discretionary sales surtax. What is that?*

Many counties have elected to impose a discretionary sales surtax. These funds pay for locally authorized projects and services such as transportation systems, school construction projects, and emergency fire and rescue facilities.

This surtax varies from county to county.

There is a \$5,000 cap for applying discretionary sales surtax on items that qualify. This cap only applies to the sale of individual items of tangible personal property.

If you recall, discretionary sales surtax was previously mentioned as part of the calculations to determine the tax rate.

You must collect discretionary sales surtax when the transaction occurs in, or delivery is into, a county that imposes surtax and the sale is subject to state sales and use tax.

To learn more about discretionary sales surtax, see the Department's tutorial called "Discretionary Sales Surtax: The Basics."

### 3.5 Scenario #2

**DEPARTMENT OF REVENUE**

**Scenario #2**

Bill owns a piano store and is about to sell a piano to Mitch for **\$8,000**. Bill's business is in a county with a discretionary sales surtax rate of **1%**. Mitch lives in and will receive the piano in a county that also has a surtax rate of **1%**. Help Bill calculate the **total tax due** for the piano.

State tax on \$8,000 x = \$480

Discretionary on \$5,000 x = \$50

sales surtax

Click [here](#) for the total tax due = \$530

**You are correct! Click NEXT to continue.**

Drag and drop the percentage you want to apply onto the blue pad.

0.5%

1.0%

1.5%

2.0%

5.0%

6.0%

Drag Item	Drop Target
6.0%	Mult8000Poly
1.0%	Mult5000Poly
0.5%	
1.5%	
2.0%	
5.0%	

**Script:**

Let's see what you remember about calculating sales tax and discretionary sales surtax.

Bill owns a piano store and is about to sell a piano to Mitch for \$8,000. Bill's business is in a county with a discretionary sales surtax rate of 1%. Mitch lives in and will receive the piano in a county that also has a surtax rate of 1%. Help Bill calculate the total tax due for the piano.



### 3.6 Scenario #3



#### Scenario #3

John owns a business that sells custom T-shirts. Gayle wants to buy 100 personalized T-shirts for her upcoming family reunion. Gayle requests that the T-shirts be delivered to her home in a nearby county.

John consults a publication from the Department called *Discretionary Sales Surtax* ([Form GT-800019](#)) and discovers from the chart inside that when a seller delivers an item like his to an outside county with a surtax, then surtax is charged for where the delivery is made.

#### Script:

In a different case, John owns a business that sells custom T-shirts. Gayle wants to buy 100 personalized T-shirts for her upcoming family reunion. Gayle requests that the T-shirts be delivered to her home in a nearby county.

John consults a publication from the Department called *Discretionary Sales Surtax* (Form GT-800019) and discovers from the chart inside that when a seller delivers an item like his to an outside county with a surtax, then surtax is charged for where the delivery is made.



### 3.7 Scenario #4



#### Scenario #4

On one of his rare days off from running his business, Carlos goes shopping for an engagement ring. He finds the perfect ring and discusses the price with the manager of the jewelry store. When he looks at his figures and the breakdown of the charges, something doesn't seem quite right. The tax due seems higher than it should be.

Carlos looks closely and realizes the manager's mistake. He had been charged discretionary sales surtax for the entire sticker price of the ring, which is \$6,000. Discretionary sales surtax does not apply to the sales amount above \$5,000 on qualifying purchases. Carlos points out the mistake, and the manager changes the invoice.

#### Script:

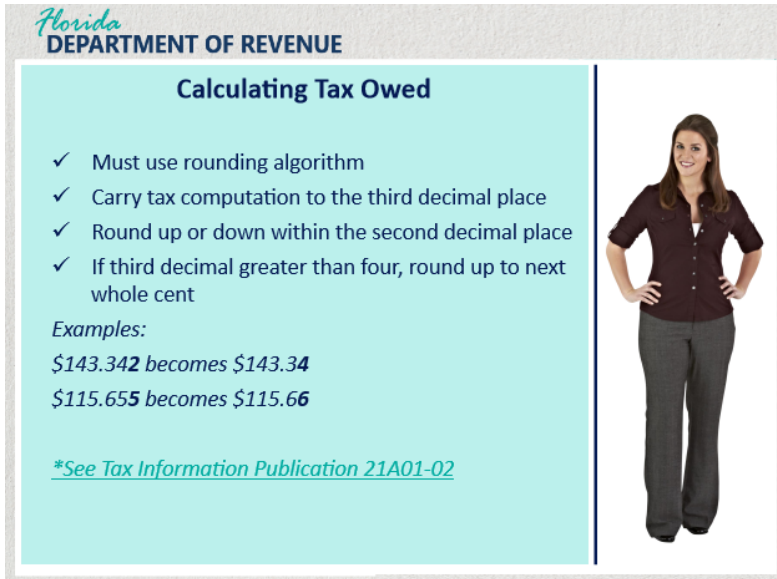
Here is an additional example.

On one of his rare days off from running his business, Carlos goes shopping for an engagement ring. He finds the perfect ring and discusses the price with the manager of the jewelry store. When he looks at his figures and the breakdown of the charges, something doesn't seem quite right. The tax due seems higher than it should be.

Carlos looks closely and realizes the manager's mistake. He had been charged discretionary sales surtax for the entire sticker price of the ring, which is \$6,000. Discretionary sales surtax does not apply to the sales amount above \$5,000 on qualifying purchases. Carlos points out the mistake, and the manager changes the invoice.

## 4. Calculating Tax Owed

### 4.1 Calculating Tax



*Florida*  
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#### Calculating Tax Owed

- ✓ Must use rounding algorithm
- ✓ Carry tax computation to the third decimal place
- ✓ Round up or down within the second decimal place
- ✓ If third decimal greater than four, round up to next whole cent

*Examples:*  
\$143.342 becomes \$143.34  
\$115.655 becomes \$115.66

*\*See Tax Information Publication 21A01-02*

#### Script:

Now that we have discussed the proper collection of tax, let's talk about how to calculate it. When calculating tax owed, all business owners must use a rounding algorithm to compute the correct amount of sales tax and discretionary sales surtax.

This algorithm carries the tax computation to the third decimal place. It is then rounded up or down within the second decimal place. If the number in the third decimal place is greater than four, round up to the next whole cent.

For example, a dollar amount of \$143.342 becomes \$143.34.

A dollar amount of \$115.655 becomes \$115.66.

## 4.2 Scenario #5



### Scenario #5

Cindy's business is selling collectibles at flea markets. A customer approaches her and says he was overcharged sales tax on the item he purchased from her. He says that his total should have been \$25.23 instead of \$25.24.

At first, Cindy is unsure if the customer was right about being overcharged. Then she remembers reading something about a rounding algorithm to calculate sales tax. Cindy visits the Department's website and reads that the algorithm carries the tax computation to the third decimal place before rounding up or down to the second decimal place. If the third decimal place is five or greater, the total would round up to the next whole cent.

Reviewing the original sale, Cindy sees that the total dollar amount of 25.238 rounded up to \$25.24. Cindy explains to the customer how the sales tax is computed, and the customer is satisfied with the answer.

### Script:

Let's check out Cindy's situation.

Cindy's business is selling collectibles at flea markets. A customer approaches her and says he was overcharged sales tax on the item he purchased from her. He says that his total should've been \$25.23 instead of \$25.24.

At first, Cindy is unsure if the customer was right about being overcharged. Then she remembers reading something about a rounding algorithm to calculate sales tax. Cindy visits the Department's website and reads that the algorithm carries the tax computation to the third decimal place before rounding up or down to the second decimal place. If the third decimal place is five or greater, the total would round up to the next whole cent.

Reviewing the original sale, Cindy sees that the total dollar amount of 25.238 rounded up to \$25.24. Cindy explains to the customer how the sales tax is computed, and the customer is satisfied with the answer.

### 4.3 Knowledge Check #2

Florida  
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**Knowledge Check #2**


Joanna is calculating the tax due on a sale to Mary. Her calculations show the tax due is \$500.238. How much tax is Joanna going to collect from Mary?

☐ \$500.23

☒ \$500.24

☐ \$500.30

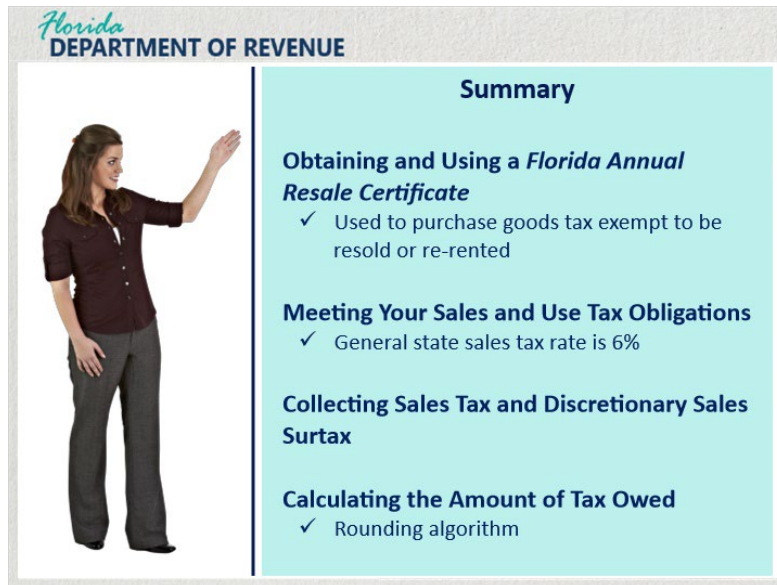
☐ \$501.00



Correct	Choice
	\$500.23
X	\$500.24
	\$500.30
	\$501.00

## 5. Conclusion

### 5.1 Summary



#### Script:

*[Meredith]: This is a lot of information. Let me do a recap to make sure I've got it.*

Sure. Go ahead.

*[Meredith]: First, we discussed obtaining your Florida Annual Resale Certificate and the requirements for when and how to use it. For example, the Florida Annual Resale Certificate can be used to purchase goods tax-exempt that will be resold by your business. However, if you end up using those goods for your business, you must pay use tax.*

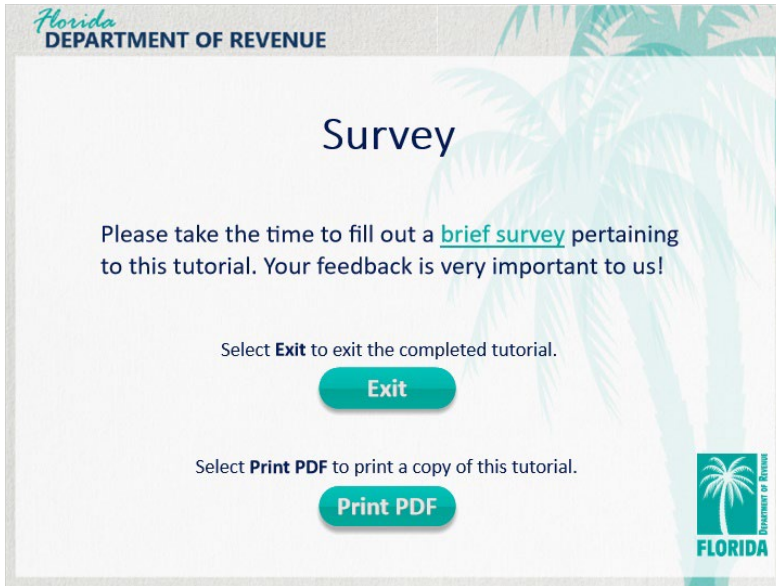
*Then we discussed meeting your sales and use tax obligations through the proper collection of tax. The general state sales tax rate is 6%, with exceptions for other items such as electricity at 6.95%, amusement machines at 4%, Rental, lease, or license of commercial real property at 4.5% and new mobile homes at 3%.*

*We talked about collecting sales tax and discretionary sales surtax. Discretionary sales surtax is collected for the benefit of Florida counties. It's used for projects and services such as school improvement and emergency services.*

*Finally, we discussed calculating the amount of tax owed. In Florida, business owners use a rounding algorithm to determine the final amount of sales and discretionary sales surtax.*

Sounds like you've got it!

## 5.2 Survey



### Script:

This concludes *An Overview of Sales and Use Tax for Business Owners: Fulfilling Sales and Use Tax Obligations*.

For more information, check out the resources available within this tutorial by clicking on the Resources tab in the upper-right corner of your screen. In addition, there are several helpful guides and tutorials available on a variety of tax-related topics on the Department's website at **floridarevenue.com**.

Please take the time to fill out a brief survey pertaining to this tutorial. Your feedback is very important to us.

To exit this tutorial, click on the Exit button.

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Thank you.