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SALES-TAX RED TAPE DETANGLED: LEARN HOW TO COLLECT & REPORT FLORIDA'S SALES TAX

Jerry Osteryoung is a business professor and the director of the entrepreneurship program in the College of Business at Florida State University and is executive director of FSU's Jim Moran Institute of Global Entrepreneurship. He recently wrote an article in the Business & Editorial section of the Tallahassee Democrat that does a good job of explaining Florida's sales tax laws. His article begins as follows:

I am going to start a business in the retail market with a couple of part-time employees (hopefully moving them to full-time). How do I go about collecting sales taxes and when do I have to pay this? Should I set up a separate savings account to ensure that I do not spend this money? What do I do if another business wants to buy my products but does not want to pay the sales tax?

With some minor exceptions, Florida - and most other states - requires that businesses collect sales tax on each retail item sold. Here, in the state of Florida, the basic sales-tax rate is 6 percent. However, as you have probably noticed, the tax rate can vary from county to county. This is because each county can levy a discretionary sales surtax, which is added on to the state's basic rate. Such is the case in Leon County where the combined sales-tax rate is 7.5 percent.

When opening a business that will collect sales tax, the state of Florida requires that you register with the Department of Revenue (DOR). Many counties will not give you a business license until you have done so. Register online at

www.myflorida.com/dor or, if you do not have access to the Internet, request Form DR-1 from DOR's service center. Once your registration has been approved, you will get two documents from the state. The first is a Certificate of Registration (Form DR-11). This document confirms that your business is officially registered. Second, you will receive an Annual Resale Certificate (Form DR-13). This document allows you to purchase, on a tax-exempt basis, goods that you intend to resell. In cases when you are purchasing tax-free or wholesale goods, you will have to provide your vendor a copy of the Annual Resale Certificate.

DOR will designate your business' filing schedule; however, you can request an alternate schedule if desired. It is advisable to follow a monthly filing schedule because it is easy to forget to file when done less frequently. Furthermore, filing more often means that less cash is needed when making payments. Whether you have collected payment on goods sold or not, sales tax payments must be made without exception.

On a monthly schedule, all tax revenues collected are due no later than the 20th of the following month. Beware of late payments because they result in penalties and additional interest charges. Submit payments by mail using Form DR-15 or DR-15EZ or opt to file on-line. In light of a couple of obvious benefits, many are choosing to file their sales-tax returns online. Because online filing is quicker than filing by mail, businesses are able to postpone payment until the last possible date without danger of being late. Furthermore, with an online confirmation number, there is never a

question as to whether the return was postmarked on time.

It is important to remember that, while your business is collecting sales-tax revenue, these funds belong to the government. They do not belong to your business; they cannot even be used by your business. In light of this, it is a very good idea for new businesses to keep these funds in a separate account. Following this method ensures that the funds are there when it comes time to file.

Accounting software and Point of Sale systems offer assistance because most can be used to generate sales-tax reports. These reports make it very easy to determine the month's liability and to transfer money into the designated account on a weekly or even daily basis.

It is also important to remember that the tax is a sales and use tax. This means that you will owe taxes on any item used by your business.

Supposing that you use your Annual Resale Certificate to purchase equipment or inventory tax-free, taxes will be due on the portion that is used in your business.

Similarly, in cases when a business presents its current Annual Resale Certificate, you are not required to collect sales tax. However, their purchase must be related to something they will resell. For example, auto dealers cannot use their Resale Certificate to avoid paying taxes on office products. In instances like these when your business makes a tax-exempt sale, it is a good idea to keep a copy of the business' Resale Certificate on file. That way, the document is available in case DOR requests it. In fact, for safety's sake, businesses should keep records of all sales and purchases for at least three years.

As daunting as it seems, try not to let the bureaucracy overwhelm you. Dealing with sales tax is pretty easy once you get used to it.

This article was re-printed with permission from Jerry Osteryoung. For information, please email jostery@comcast.net.

If you have questions about collecting the Florida sales tax, please call the FUBA offices at 800-262-4483 or your local accounting professional.

IMPORTANT NOTICE FOR CORPORATIONS AND LLC'S IN THE CONSTRUCTION INDUSTRY

Every corporation (INC) and limited liability company (LLC) formed in the state of Florida must file an Annual Report with the state each year. This Annual Report was due to the state back on May 1, 2006. **If your corporation or LLC did not file this form by May 1st, your company has been dissolved by the state and your business entity is no longer legitimate.** More importantly, you are in danger of losing your exemption from workers' compensation.

On September 15, 2006, the state Division of Corporations dissolved over 200,000 corporations and LLC's for not filing their Annual Reports. In response, the state Division of Workers' Compensation has started a project that will identify the 45,725 current workers' compensation exemption holders who have inactive corporations or LLC's.

If you currently have an exemption from workers' compensation and your corporation or LLC was dissolved, you have until April 1, 2007 to have your company reinstated with the Division of Corporations or you will lose your exemption.

If your corporation or LLC was dissolved this year, the fee to have a corporation reinstated is \$750, and the fee to reinstate an LLC is \$150. The reinstatement fee can be reduced if you did not receive notice about your Annual Report. FUBA can assist you in reinstating your company and preserving your workers' compensation exemption. For more information, please call the FUBA offices at 850-681-6265 and ask for Cameron.