

By Meredith Lipson and James Bence

Sales Tax Collections and Remittances by the State of Georgia's Department of Revenue

During April and May 2009, the Georgia Department of Revenue (DOR) upgraded to a new system for distributing sales taxes and also changed their method of distribution. Previously, sales taxes collected were not substantially disbursed by the DOR to the local governments until two (2) months subsequent to the month that the sales taxes were collected. Additionally, effective for tax periods beginning on or after January 1, 2010, businesses and individuals with any single sales and use tax payment that is more than \$1,000 are required to submit their return electronically and remit their payment by electronic funds transfer (EFT) (House Bill 334). This threshold is reduced from the previous \$5,000 threshold and will therefore increase the number of electronic filers. Receiving information and funds electronically will enable the DOR to process payments to local governments more efficiently.



The DOR now claims the speed of remittances to local governments to take only one (1) month as compared to their old system. Additionally, the DOR is now able to produce more detailed information including the ability to report to local governments a breakdown showing the percentage of each disbursement by month and by jurisdiction. Meaning, when a local government receives sales tax funds from the DOR, the DOR can provide a breakdown of what the percentage relates to by month of sales. (Example: a local government's July 2009 collection of \$1,000,000 could be noted to include 70% from June sales, 20% from May sales, and 10% from April and prior sales).

This change in process and additional information requires local governments receiving sales taxes to change their approach to analyzing, recording and reporting receivables, revenues, and deferred revenues for sales taxes at both the governmental fund level and *(con't on next page)*

Audit Tip of the Month - Sales Tax Collections

When preparing journal entries to record receivables and revenue for sales tax earned during your fiscal year end, but not received until subsequent to the year end, don't forget that the amount of sales tax revenue collected after the *availability period* (within 60 days of year end for most governments) should be recorded as deferred revenue at the fund level for your governmental funds under the modified accrual basis of accounting. However, the amount deferred at the governmental fund level is recognized as revenue at the government-wide level for your governmental activities under the full accrual basis of accounting.

Our Resources

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As always, we are available as a resource to you as questions arise related to any and all GASB pronouncements. As GASB issues more pronouncements, and as the Federal government issues more opportunities and mandates, we will do our best to keep you informed.

Please contact any of our government client executives listed here, at 1-800-277-0050 if we can help.

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government-wide level. Based on this updated information, we recommend the local governments research and request the necessary information from the DOR in order to properly record its receivables, revenues, and deferred revenues at year-end. Governments should contact Phil Embry, Distributions Manager at (404) 675-1547 or by emailing their requests to Local.Government.Services@dor.ga.gov. Governments can use historical collections, beginning with the June 2009 remittances and distribution breakdowns, to calculate reasonable estimates for month-end and year-end recording. Local governments will need to continue to monitor this information until issuance of the financial statements to ensure amounts are properly reported.

One last thought on this subject - the DOR has created a new Sales Tax Distribution Report on its website which allows every local government to identify its monthly sales tax distribution amounts from January 1999 to the present. The address to this new website is <https://etax.dor.ga.gov/STDistribution/Default.aspx>. In an effort to better manage the recognition of revenues, we recommend local governments consider utilizing the information as part of its ongoing budget process.