Update the Sales Tax Settings on an Existing Purchase Order

Local, county and state sales and use tax rates can change. These new tax rates impact existing purchase orders and how SWIFT handles these tax rate changes.

- SWIFT uses “Sales Tax” for taxes paid to the supplier (excluded from the state’s Direct Pay Permit).
- “Use Tax” represents taxes paid directly to the Department of Revenue (included in the State’s Direct Pay Permit).
- SWIFT defaults the tax setting on the Category field based on the Department of Revenue’s recommendation and/or the setting most often used in state purchases. The tax setting of “Taxable” or “Not Taxable” is a default only. Review and update this field as needed for each purchase.

Use this reference guide to help choose the right sales and use tax settings on an existing purchase order.

Steps to complete

- Step 1: Access the Purchase Order page in SWIFT
- Step 2: Access the Sales/Use Tax page from the Schedule icon on the Purchase Order page
- Step 3: Update the sales and use tax information

Steps to update the Sales Tax settings on an existing purchase order

Step 1: Access the Purchase Order page in SWIFT

1. Navigate to the Purchase Order page.

<table>
<thead>
<tr>
<th>Navigation Options</th>
<th>Navigation Path</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement, Purchasing, Purchase Order, Purchase Order page defaults.</td>
<td></td>
</tr>
<tr>
<td>Procurement, Purchasing, Buyer WorkCenter, left menu Links, Add/Update POs, Purchase Order page.</td>
<td></td>
</tr>
</tbody>
</table>

2. On the Purchase Order page, select the Find an Existing Value tab.

3. SWIFT opens up the Search Criteria section of the Find an Existing Value page.
   - Enter search items such the PO ID.
   - Press the Search button.
SWIFT displays the **Maintain Purchase Order** page for the selected purchase order.

**Step 2: Access the Sales/Use Tax page from the Schedule icon on the Purchase Order page**

1. On the **Maintain Purchase Order** page, go to lines section. On the **Details** tab of the line, select the **Schedule** icon.

**NOTE:** review and update each line using the same process.

2. SWIFT displays the **Schedules** page.
   - Since the purchase order has already been dispatched, you will need to make a change order. Press the **Schedule Details** icon. It is on the front of the row.
SWIFT displays the Details for Schedule page. Select the Change Order icon.

SWIFT displays the Schedules page for that line.

3. Select the Sales/Use Tax icon.

SWIFT displays the Sales/Use Tax Information for Schedule page. Settings on it will vary. They are based on the Category code you added on the line and the Ship To field on the Schedule line.

- Category determines taxability.
- The Ship To field determines the rate, sales tax and any local, county or transit taxes.

Step 3: Verify the sales and use tax information

On the Sales/Use Tax Information for Schedule page, verify or update the information as needed on the Tax Applicability (1), Ultimate Use Code (2) and Tax Code (3). Verify that SWIFT displays the correct Tax Rate (4). Make sure that the Include Freight and Include Misc Charges (5) boxes are checked.
1. Verify or update the Tax Applicability.
   - Verify that SWIFT defaulted Tax Applicability field correctly for the purchase order line.
   - It is based on the Ultimate Use Code you selected.
   - To change the Tax Applicability value, open up the drop down menu and select the correct value.

<table>
<thead>
<tr>
<th>Tax Applicability Values</th>
<th>Field Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Pay</td>
<td>Sales and local tax are calculated in the system. They are not shown on the order document. Using the state’s Direct Pay Permit, sales and local tax are paid directly to the Department of Revenue (DOR). This is the most common setting on taxable goods and services. In general, use this value.</td>
</tr>
<tr>
<td>Sales Tax Applicable</td>
<td>Sales and local tax are calculated and shown on the purchase order. They are paid to the Supplier. Only items not covered by the state’s Direct Pay Permit are applicable. It does not include other taxes such as hotel or telecommunications.</td>
</tr>
<tr>
<td>Item is Exempt</td>
<td>No tax is calculated on the purchase order either because the item is not taxable or there are other taxes, such as those for hotel or telecommunications. These are any type of tax other than state and local paid to the Supplier. These other taxes can be added as a separate purchase order line or incorporated into the cost of the goods or service.</td>
</tr>
<tr>
<td>Purchaser is Exonerated</td>
<td>The purchasing Budget Unit (BU) is tax exempt. No tax will be assessed.</td>
</tr>
<tr>
<td>Use Tax Applicability</td>
<td>Sales and local taxes are assessed and sent directly to DOR. This is relevant only if the Supplier should have charged for sales tax but did not. This code should be used sparingly.</td>
</tr>
</tbody>
</table>

2. Verify or update the Ultimate Use Tax.
This code designates whether a purchase is exempt from taxes or not. To change the Ultimate Use Tax code, press the magnifying glass. Select the correct value.

<table>
<thead>
<tr>
<th>Ultimate Use Code Values</th>
<th>Field Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blank</td>
<td>Ultimate Use Code does not apply to the purchase order line.</td>
</tr>
<tr>
<td>Dirpayex</td>
<td>The purchase order line is excluded from the state’s Direct Pay Permit. Tax will calculate and display on the purchase order for the Supplier to bill the state for the tax.</td>
</tr>
<tr>
<td>Exempt</td>
<td>The purchase order line is exempt from tax. No tax will calculate. The Tax Applicability will update to “Item is Exempt”.</td>
</tr>
<tr>
<td>Included</td>
<td>Taxes have been included in the cost of the purchase order line. No taxes will calculate. Tax Applicability updates to “Item is Exempt”.</td>
</tr>
</tbody>
</table>
Ultimate Use Code Values | Field Description
--- | ---
Resale | Use this code when you are purchasing items for resale. SWIFT will not calculate taxes on the purchase order. SWIFT will update the Tax Applicability to “Item is Exempt”. For example, the Department of Natural Resources (DNR) uses this code to buy inventory items sold at their park stores. When the customer buys the item at the park store, DNR charges tax to the customer, if applicable.

3. Verify or update the Tax Code.

The Tax Code is the total amount of tax charged on a transaction. Tax Codes default from the Ship To address. If it the Tax Code is incorrect, verify the Ship To location and adjust it accordingly.

- You can view the current tax rate on the Minnesota Management and Budget’s (MMB) website.
- The current tax rate is listed on the Location Request form which MMB updates as needed. Find the Location Request form on the SWIFT Forms page in the Accounting section. [https://mn.gov/mmb/accounting/swift/forms/](https://mn.gov/mmb/accounting/swift/forms/)

4. Update the purchase order’s Tax Code as needed.

You have successfully reviewed the sales tax settings on a purchase order.