



## Tax Code Setup Table

This page applies to: [PSA Standard and PSA Premium](#)

### Overview

The Tax Code setup table is where you define the different tax rates that you need to charge your customers. Every government has different rules about when and how much tax has to be charged in its jurisdiction. You can set a default tax code for each customer and agreement so that when an invoice is created, the tax amount is calculated properly. This is an important part of invoice creation. The invoice will post to the accounting package with the tax amount to the sales tax payable amount.

Tax codes can be set up as an item or as a group. A tax item represents a flat rate tax that is calculated at one level and paid to one jurisdiction. Tax groups are multi-level tax rates that can calculate separately. This enables you to post different levels to different sales tax payable accounts if this is what is required.

It is important that the tax code setup matches what is currently in your accounting software. For example, if you are using items in the accounting software, you will use items in ConnectWise PSA™. If you are using groups in the accounting software, you will use groups in PSA.

**Note:** Please consult with your accountant if you are on cash accrual basis to determine if you should tax down payment and prepaid agreement invoices upon receiving payment or upon completing the task and recognizing revenue. If down payment or prepaid agreement invoices are taxed upfront and the completed task is invoiced in a subsequent month, the sales tax liability total in your General Ledger will likely result in a negative amount.

To locate this screen navigate to **System > Setup Tables**.

## Field Descriptions

### List View

Setup Tables > Tax Code					
Tax Code					
<	+	SEARCH	CLEAR		
Status	Tax Code	Name	Total Tax Rate	Total Tax Amount	Default
Active					
Active	CA Tax	<a href="#">CA Tax</a>	7.25%	0.00	
Active	Exem	<a href="#">Exempt</a>	0%	0.00	
Active	FL	<a href="#">State Tax</a>	6%	0.00	
Active	FL Tax	<a href="#">FL State Tax</a>	6%	0.00	
Active	HST	<a href="#">HST</a>	12%	0.00	
Active	MN-STP	<a href="#">MN-ST</a>	7.85%	0.00	
Active	NE Tax	<a href="#">Tax State</a>	20.5%	0.00	
Active	OST	<a href="#">Out of State</a>	7%	0.00	
Active	RTSD	<a href="#">Georgia Tax</a>	8%	0.00	
Active	State	<a href="#">Florida Tax</a>	6%	0.00	✓
Active	TC-132	<a href="#">TC-132</a>	6%	0.00	

Status	Displays the status of the tax code.
Tax Code	Displays the tax code. This pulls from the Tax Code field in the Tax Code Overview.
Name	Displays the name of the tax code. This pulls from the Name field in the Tax Code Overview.
Total Tax Rate	Displays the total tax rate. This is calculated by adding each Tax Rate in the Tax Code Setup and multiplying by 100: (Tax Rate 1 + Tax Rate 2, etc.) * 100.
Total Tax Amount	Displays the tax amount if Amount is selected as the Rate Type in the Tax Code Overview.
Default	Displays a check mark if the tax code is marked as the default in the Tax Code Overview.

## Tax Code Setup Tab

Setup Tables > Tax Code > Tax Code

**Tax Code**

Tax Code Setup | Tax Code Exemptions | Tax Code Cross Reference

< + [ ] [ ] [ ] HISTORY [ ] [ ]

**Tax Code Overview**

Tax Code\* \_\_\_\_\_ Caption on Invoice\* \_\_\_\_\_  Default

Name\* \_\_\_\_\_ Effective Date\* \_\_\_\_\_  Display each level on the invoice

Country\* [v] \_\_\_\_\_ Cancel Date \_\_\_\_\_  Calculate PST on GST (Canada)

**Tax Level 1**

Rate Type Percent [v]  Tax Products  Apply Single Unit Limit

Tax Rate\* \_\_\_\_\_ Taxable Max \_\_\_\_\_  Tax Services Unit Minimum \_\_\_\_\_

Caption \_\_\_\_\_  Tax Expenses Unit Maximum \_\_\_\_\_

Tax Code Cross Reference \_\_\_\_\_ Agency Cross Reference \_\_\_\_\_

Add Tax Level +

Tax Code Overview	
Tax Code	<p>Enter the name of the tax code. There is a limit of eight characters. Ensure that each tax code name is unique to prevent duplicate tax code errors when integrating with other applications.</p> <p><b>Important:</b> In order for purchase orders to transfer over accurately to any non-U.S. QuickBooks® version, the Tax Code field must match the Sales Tax Code field in QuickBooks and cannot exceed three characters. This is only applicable if you are using a non-U.S. version of QuickBooks.</p>
Name	Enter a detailed description of the tax code. This will display in the Tax Code drop-down field in PSA. If you are using tax groups in your accounting package, this description is also used for the Tax Group name.
Country	Select the country for this tax code.
Caption on Invoice	Enter a description to print next to the tax amount on the invoice. The customer will see this caption, so it should be something that will make sense to them.

Effective Date	<p>Select the date the tax code is effective. If you create an invoice prior to the effective date, this tax code will not be available. If you receive notification that there is a change in taxation, you can create a new tax code with the new amount on it. Using the Effective Date will prevent the tax code from being used early.</p> <p><b>Tip:</b> If you receive a notification that a tax rate is changing, create a new tax code with the new rate. If you update a historical rate, any invoice with the historical rate that is saved after the update will get the new rate attached to it; this causes your tax reporting to be incorrect. When you create a new tax code, set the Effective Date so that the new tax code will not be available until the date is reached. You should also add a Cancel Date to the current tax code. After the new tax code Effective Date is reached and prior to running the next set of invoices, mass update the tax code on the <a href="#">Company Mass Maintenance</a> screen.</p>
Cancel Date	<p>Enter a cancelation date for this tax code.</p> <p><b>Tip:</b> If you are preparing for an upcoming change to your tax rates and calculations, enter a Cancel Date on the tax code that is scheduled to change. Next, create a new tax code with the appropriate Effective Date for the new rates and calculations. When the new tax code is scheduled to take effect, go to the <a href="#">Company Mass Maintenance</a> screen to update your customer's tax code.</p>
Default	Indicates that the tax code is assigned as the default for a new company.
Display each level on the invoice	Select to print each individual tax level on the invoice. If this check box is not selected, there will be one tax entry on the invoice for the full amount of all levels.
Calculate PST on GST (Canada)	Select to indicate that PST will be calculated on GST. This is for businesses operating in Canada only.
<b>Tax Level</b>	
Level	Each taxing jurisdiction is considered a level. Each level is defined with the fields below.
Rate Type	<p>Select a rate type. Options are:</p> <ul style="list-style-type: none"> <li>• Amount</li> <li>• Percent</li> </ul>
Tax Rate	Enter the tax rate as a decimal number (e.g., 0.065 for 6.5%).
Taxable Max	Enter the maximum limit, if any, upon which a jurisdiction charges sales tax.
Caption	Enter a tax level description to print on the invoice.
Tax Code Cross Reference	<p>Enter the tax code cross reference. This should match the tax code in the accounting package for GL integration. Please refer to <a href="#">Accounting Package Setup Table</a> for more information. This field must be displayed in order to edit the tax levels.</p> <p><b>Note:</b> When setting up a Sage Accounting package client with Mobius/Gozynta, the Tax Code Cross Reference field is not used in the tax code set up. The tax code information is pulled from the Agency Cross Reference field.</p>

Tax Products	Indicates that the sales tax applies to products. Ensure the Sales Tax check box on the individual taxable product records are also selected because both check boxes must be selected for the tax to be charged. You can also create a <a href="#">Tax Code Exemption</a> to indicate which product types are taxable and which are not.
Tax Services	Indicates that the sales tax applies to services. If this check box is not selected, then labor will not be taxed. If only some services are taxable, select this check box and create a <a href="#">Tax Code Exemption</a> to indicate which work roles are taxable and which are not.
Tax Expenses	Indicates that this sales tax applies to expenses. If only some expenses are taxable, select this check box and create a <a href="#">Tax Code Exemption</a> to indicate which expense types are taxable and which are not.
Agency Cross Reference	Enter the agency cross reference code. This code should match the agency code in the accounting package. Please refer to <a href="#">Accounting Package Setup Table</a> for more information.
Apply Single Unit Limit	<p>Applies a single unit limit based on the Unit Minimum and Unit Maximum amounts entered in the fields below. Use the single unit limit to tax a specific portion of the product.</p> <p>For example, if a product is taxed at 2.1% on any portion of an item that falls between \$2,000 and \$4,500:</p> <ol style="list-style-type: none"> <li>1. Set Rate Type to Percent.</li> <li>2. Enter 0.021 as the Tax Rate.</li> <li>3. Select Apply Single Unit Limit.</li> <li>4. Enter 2,000 as the Unit Minimum.</li> <li>5. Enter 4,500 as the Unit Maximum.</li> </ol> <p>This option is only used in some U.S. states. This is not a required field, so leave it blank if necessary.</p> <p>Please refer to <a href="#">When Would You Use the Apply Single Unit Limit Check Box?</a> for more information.</p> <p><b>Note:</b> Single unit limits do not apply to service or agreement class products. Single unit limits only apply to inventory and non-inventory products. Please refer to the <a href="#">Multi-Level Tax Codes Example</a> for more information.</p>
Unit Minimum	Enter the minimum amount that a product, service, or expense will be taxed on. For example, if a product, service, or expense is only taxed after \$1,000, then enter \$1,000 in the Unit Minimum field.
Unit Maximum	Enter the maximum amount that a product, service, or expense will be taxed on. For example, if a product, service, or expense stops being taxed after \$5,000, then enter \$5,000 in the Unit Maximum field.
Delete	Deletes the tax level. This icon only appears on the last tax level. When the last level is deleted, the new last level will have the delete icon. This icon never appears on Tax Level 1.
Add Tax Level +	Click to create a new tax level.

## Tax Code Exemptions Tab

In this tab, select which work roles, expense types, or product types are exempt from the tax code listed on the

## Tax Code Setup Tab.

Different tax jurisdictions may impose different taxes on various types of labor, expenses, or products. PSA enables users to establish the tax rate for each. For example, if a work role is taxable for state tax but not county tax, the work role should display in the Tax Exempt list. Choose which level the work role is exempt from by selecting the work role, then clicking Set Exemption Levels to display the Set Exemption Levels pop-up. Deselect the check box in the Set Exemption Levels pop-up to remove the exemption. The levels only appear in the pop-up if you have specified a Tax Code Cross Reference on the Tax Code Setup tab. For more information, please refer to [Modify Exemption Levels](#).

**Note:** If you have customers who are tax exempt, it may be beneficial to set up a tax exempt code where the rate is 0 and assign this tax code to those customers. You will also need to map this to a tax code in the accounting package.

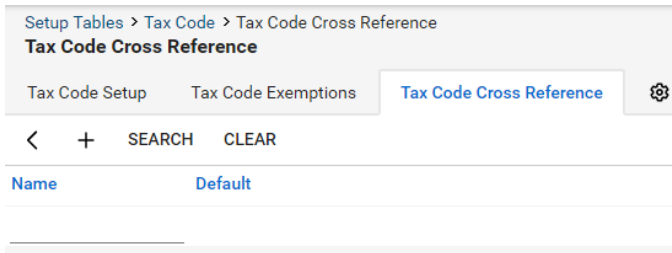
Set Work Role Exemptions	Set the work role exemptions in this section.	
	Taxable	Displays the taxable work roles.
	>>	Moves all Taxable work roles to Tax Exempt.
	>	Moves the selected Taxable work role(s) to Tax Exempt.
	<	Moves the selected Tax Exempt work role(s) to Taxable.
	<<	Moves all Tax Exempt work roles to Taxable.
	Tax Exempt	Displays the tax exempt work roles.
	Set Exemption Levels	Sets exemptions for the selected Tax Exempt work role(s). For more information, please refer to <a href="#">Modify Exemption Levels</a> .
Set Expense Type Exemptions	Set the expense type exemptions in this section.	
	Taxable	Displays the taxable expense types.
	>>	Moves all Taxable expense types to Tax Exempt.

	>	Moves the selected Taxable expense type(s) to Tax Exempt.
	<	Moves the selected Tax Exempt expense type(s) to Taxable.
	<<	Moves all Tax Exempt expense types to Taxable.
	Tax Exempt	Displays the tax exempt expense types.
	Set Exemption Levels	Sets exemptions for the selected Tax Exempt expense type(s). For more information, please refer to <a href="#">Modify Exemption Levels</a> .
Set Product Type Exemptions	Set the product type exemptions in this section.	
	Taxable	Displays the taxable product types.
	>>	Moves all Taxable product types to Tax Exempt.
	>	Moves the selected Taxable product type(s) to Tax Exempt.
	<	Moves the selected Tax Exempt product type(s) to Taxable.
	<<	Moves all Tax Exempt product types to Taxable.
	Tax Exempt	Displays the tax exempt product types.
	Set Exemption Levels	Sets exemptions for the selected Tax Exempt product type(s). For more information, please refer to <a href="#">Modify Exemption Levels</a> .

## Tax Code Cross Reference Tab

Please refer to [What is Tax Code Cross Reference Used For?](#) for more information.

### List View




Name	Displays the name of the tax code cross reference. This pulls from the Description field.
Default	Displays a checkmark if the cross reference has been marked as the default. This pulls from the Default check box.






## Tax Code Cross Reference

This screen appears when you click New Item on the Tax Code Cross Reference list view.

Setup Tables > Tax Code > Tax Code Cross Reference > Tax Code

**Tax Code**

Tax Code Setup   Tax Code Exemptions   **Tax Code Cross Reference**   

    HISTORY ▾ 

### Tax Code Cross Reference

Description\*  Default

---

Level 1  
Non-taxable ▼

---

Level 2  
Non-taxable ▼

---

Level 3  
Non-taxable ▼

---

Level 4  
Non-taxable ▼

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Level 5  
Non-taxable ▼

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Level 6  
Non-taxable ▼

Description	Enter the name of the tax code cross reference. This maps to the tax code in QuickBooks
Level 1 - 6	Select Taxable or Non-taxable.
Default	Select to make this tax code the default.

## Tax Code Setup for the Republic of Ireland

For information on a multi-level tax code setup for partners in the Republic of Ireland using on-premises versions of QuickBooks, please refer to this [documentation](#).

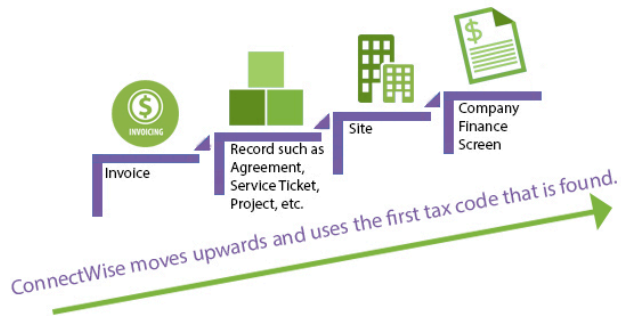
## Tax Code Hierarchy

The following is a hierarchy of where you can override tax codes.

**Note:** In the event that the invoice billing site and shipping site have different tax codes associated, the tax code from the shipping site is used.

# Tax Code Overrides

How are my tax codes set?



## Business Case: Single Unit Limit

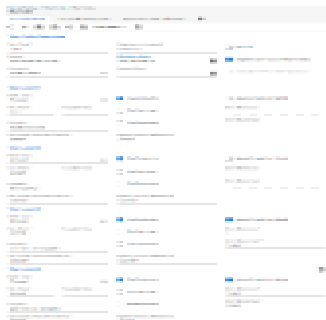
**Note:** These limits are only applied to Inventory and Non-Inventory class products. The full amount of the product may be subject to this tax for products with other classes specified.



The Accountant is located in the State of Tennessee and needs to set up their company's tax codes. One of the more difficult setups is the Single Article Tax, which needs to be charged on all taxable products that their company sells. They can use single unit limit taxation to set this up.

For example, a state tax of 2.75% is charged on the portion of any single item sold that falls between \$1,600.01 and \$3,200, so \$11 would be taxed on a \$2,000 item. The Accountant can enter the minimum and maximum amounts that are subject to this tax level for a single product.

Click to view the full-sized version:



What if I have to charge different tax rates on services and products? How can I set it up to go over to QuickBooks properly?

1. To solve this, set up your tax items in PSA starting with Level 2. The is because tax Level 1 is always applied to the entire invoice in QuickBooks. It is the tax item that appears on the bottom of the invoice screen.
2. If you leave tax item one set to 0%, this will mean that none of your levels will apply to the entire invoice.
3. You can then set up additional levels using exceptions as needed in PSA. When they post to QuickBooks, they will post as line items on the QuickBooks invoice.

**Important:** When taxable services and products that require a single unit limit are on the same invoice, the tax setup table must follow this order:

- Level 1 – State tax for services and products.
- Level 2 – Local tax for services.
- Level 3 and subsequent levels – Local tax for products.

## What is Tax Code Cross Reference Used For?

To better support international versions of QuickBooks, you are able to map the line item tax code between PSA and QuickBooks. If you do not set up the mappings, the default tax code from QuickBooks will be selected. In the U.S., line item tax codes are generally Tax and Non and presently not an issue. However, it could be used if custom tax codes are being used in QuickBooks. For Canada and Australia, there can be multiple tax codes, such as GST, PST, HST, etc.; therefore, selecting the default tax code will be incorrect.

**Note:** If every taxable detail line that uses this PSA tax code (QuickBooks Tax Item) uses the same QuickBooks tax code, then only one taxable tax code cross reference is needed and should be marked as the default.

### Example

An invoice is created that uses the ABC tax code in PSA. This ABC tax code taxes services, products, and expenses at 8% at Level 1 and taxes services, products, and expenses at 5% at Level 2.

On the Tax Code Cross Reference tab, the following should be set:

- Level 1 tax will apply to services, products, and expenses, and they will be taxed at a rate of 8%.
- Level 2 tax will also apply to services, products, and expenses (since all check boxes are selected) and an additional 5% tax will be applied, resulting in a 13% tax total.

**Note:** The Description field on the Tax Code Cross Reference tab should match the tax code name in QuickBooks.

A default non-taxable level can be set up if items do not fall into the levels above. For more details on setting up custom tax code mappings, please review the [QuickBooks](#) documentation.

## Set Up Sales Tax

To set up sales tax:

1. Navigate to **System > Setup Tables > Tax Code** setup table.
2. Click **New Item**.
3. Fill out the required fields in the **Tax Code Overview**.
4. Set your **Rate Type** in the **Tax Level 1** section.
5. Enter your **Tax Rate**.  
**Note:** **Tax Rate** should be a decimal if your **Rate Type** is **Percent**. For example, 7% would be .07.
6. Fill out the rest of the fields as necessary.
7. Click **Add Tax Level +** and repeat Steps 4 - 6 if necessary.
8. Click **SAVE**.

## How to Set Up and Modify Sales Tax

Watch the following video to learn how to set up and modify sales tax.

Media, iframe, embed and object tags are not supported inside of a PDF.

## Modify Exemption Levels

To modify exemption levels for tax exempt work roles, expense types, or product types:

1. Navigate to **System > Setup Tables > Tax Code** setup table.
2. Select the tax code you want to modify an exemption for.
3. Click **Tax Code Exemptions**.
4. Select the work role, expense type, or product type from the **Tax Exempt** list.
5. Click **Set Exemption Levels**.
6. Deselect the check box next to the level to remove its exemption status.
7. Click **SAVE**.

For more information, please refer to [Tax Code Exemptions Tab](#).

## Setup Table Dependencies Matrix

The [Setup Table Dependencies Matrix](#) shows you which items within PSA may be affected by making changes to a given setup table.

Key Words: mark service as nontaxable, mark service as non-taxable, mark service as non taxable, updating default sales tax, company is exempt, tax codes show on invoices,