



## Write Off A Bad Debt if Sales Tax is involved

1. Create an Other Charge type Item on your Items List called Bad Debt and assign it to your Bad Debt expense account (create this account on your Chart of Accounts if needed).

TYPE: **Other Charge** Use for miscellaneous labor, material, or part charges, such as delivery charges, setup fees, and service charges.

Item Name/Number:   Subitem of

This item is used in assemblies or is a reimbursable charge

Description:  Amount or %:  Tax Code:   Item is inactive

Account:

Buttons: OK, Cancel, Notes, Custom Fields, Spelling

2. Enter the Bad Debt item on a Credit Memo for the customer making sure the amount is Taxable if Sales Tax was originally applied and NonTaxable if it wasn't.

CUSTOMER\_JOB:  CLASS:  TEMPLATE:

### Credit Memo

Date:  Customer:

Credit No.:

P.O. No.:  Rep:

QTY	ITEM	DESCRIPTION	RATE	CLASS	AMOU...	TAX
	Bad Debt	Bad Debt	115.00		115.00	Tax

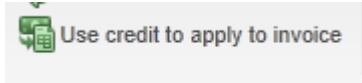
TAX:  (5.0%) 5.75  
 TOTAL 120.75

CUSTOMER MESSAGE:

REMAINING CREDIT 120.75

Memo:  Customer Tax Code:

- Click the Use credit to apply to invoice button and apply the credit to the invoice you need to write off.



Apply Credit to Invoices

**CREDIT MEMO**

Customer: Job Test Customer

Ref. No.	9094	Original Amt.	120.75
Date	02/14/2013	Remaining Credit	0.00

	DATE	JOB	NUMBER	ORIG. AMT.	AMT. DUE	AMT. APPLIED
<input checked="" type="checkbox"/>	11/05/2012		9093	120.75	120.75	120.75
Totals				120.75	0.00	120.75

This method will properly reduce your Taxable Sales in your Sales Tax Liability report for the period in which your Credit Memo was entered.