

DC Use Tax on Complimentary Meals

As we've told you in a prior alert, DC has become aggressive in their sales and use tax auditing of restaurants. The finding that we are seeing most is the assessment of use tax on complimentary meals.

Here's how it works:

If you comp meals, you should apply your cost of goods percentage to the complimentary amount and pay use tax on that cost of goods amount.

Example:

August, 2006 complimentary meals and drinks	\$300.00
Cost of goods sold percentage	30%
Cost of goods sold (cost of the food and drink)	\$90
Use Tax at 5.75%	\$5.18

Here's how it should look:

COLUMN A - DESCRIPTION	COLUMN B - TAXABLE AMOUNT	TAX RATE	COLUMN C - TAX DUE - Multiply col B by tax rate, enter here.
1. USE Taxable at 5.75%	1B \$ 90.00	× .0575	1C \$ 5.18
2. USE Taxable at 9%	2B \$	× .09	2C \$ 0.00
3. USE Taxable at 10%	3B \$	× .10	3C \$ 0.00
4. QHTC exempt purchases excluded from Line 1B	4B \$		
5. TOTAL USE TAX (Add Lines 1C, 2C and 3C)			5C \$ 5.18
6. SALES Taxable at 5.75%	6B \$	× .0575	6C \$ 0.00
7. SALES Taxable at 9%	7B \$	× .09	7C \$ 0.00
8. SALES Taxable at 10%	8B \$	× .10	8C \$ 0.00
9. SALES Taxable at 12%	9B \$	× .12	9C \$ 0.00
10. SALES Taxable at 14.5%	10B \$	× .145	10C \$ 0.00
11. Total taxable sales (Add Lines 6B - 10B)	11B \$ 0.00	11. TOTAL SALES TAX (Add Lines 6C - 10C)	11C \$ 0.00
12. Total exempt sales (include Line 13B)	12B \$		
13. QHTC exempt sales	13B \$		
14. Total sales (Add Lines 11B and 12B)	14B \$ 0.00	15. TOTAL TAX DUE (Add Lines 5C and 11C)	15C \$ 5.18

Please contact our office if you have any questions or require assistance