How to Set up EDIFICE to Assess Multiple Taxes Instructions

EDIFICE offers multiple ways for taxes to be calculated on utility services. The system can generate a universal tax that is assessed for all applicable charges and customers. It can also use a tax profile to assess different tax rates on a product or service. However, there are times when utility customers should be assessed multiple taxes that are based on different thresholds of usage. In this case, transaction codes and rate tables can be set up to calculate different taxes for various levels of usage. The transaction codes are added to the appropriate billing profiles, paired with the original usage charge codes to function as tax on those codes. This document details the setup for this third method of charging tax.

EDIFICE offers 3 ways to calculate taxes:

- **Universal tax on charges** – the tax rate is held on the service setting and the appropriate transaction codes and customers are set to be taxable. WICA surcharges can be added in this way. For directions, see the *EDIFICE Tax with Universal Method Setup Instructions.*

- **Tax Profile Method** – different tax rates are created and added to a tax profile, which is added to specific customers. For directions, see the *EDIFICE Tax Profiles Setup Instructions*.

- **Multiple Taxes with Rate tables, Transaction codes and Billing Profile** – a transaction code is created with specific tax settings and a new rate table with taxable usage thresholds. The transaction code is added to appropriate billing profiles, paired with the original usage charge code.
  The instructions below explain how to set up this method.

Set up Steps for Assessing Multiple Taxes for a Charge:

As an example, a utility company has to assess a delivery tax, which is 5.5% but is only charged on usage above a certain threshold. In addition, they assess taxes on the energy usage charges for the usage above a different threshold. These taxes are at different rates and kick in at different levels of usage. To accomplish this in EDIFICE, set up transaction codes for only the tax amount to pair with each original usage charge code that needs to be taxed above a certain usage threshold. Set up EDIFICE as follows for each individual tax.

Overview:

1. Build a rate table with the appropriate threshold and energy charge rates.
2. Build a transaction code for the tax using this rate table, and set charge multiplier with tax rate.
3. Add the transaction code to the appropriate billing profiles that contain your original usage charge.
4. Test to make sure the appropriate taxes are calculating correctly!
5. Repeat these steps for any additional tax that should be assessed.

Build a Rate Table

In this example, the state of Maine PUC allows the first 750 units of usage to be non-taxable for the energy charge. The delivery charge, however, is taxable after only 50 units of usage. The transaction codes cannot simply be set as taxable, as this would tax the whole amount. Instead, use a combination of rate tables and transaction codes to calculate accurate tax on these charges.

The rate table below is set with the tax threshold and usage charge rate. In this case, 750 units of usage at a rate of 0, and above 750 at the original charge rate. Note that this is the charge rate for the transaction code, and not the tax rate itself.

Create a Transaction Code for the Tax

Set the following fields for the transaction code:
- **Rate Table No**.: Add the Rate Table number to the transaction code.
- **Description**: Enter a description that describes the tax calculation.
- **Special Handling**: Set to **Use Prior Usage**. This allows taxes to be calculated based on the usage in the original usage transaction.
- **Tax Code**: Set to **Tax Line**, which designates this charge as a tax item.
  - **Note**: Tax Line items are calculated and displayed as a charge in Bill Entry, displayed as a tax in the Billing Edit Journal, and update the general ledger as a charge.
- **Billing Code**: Generally, set to **Surcharge**, which allows the billing usage amount to be recalculated after the original charge was calculated.
- **Charge Multiplier**: Add the tax rate as the charge multiplier. The taxable usage will be multiplied by this multiplier to determine the tax. In this example, 0.0550000.
- **G/L Debit Account and G/L Credit Account:** Enter the appropriate G/L accounts for this tax.

Add Transaction Code to the Billing Profile

After the transaction code is built, add it to the appropriate billing profiles. It should be added to profiles that contain the original usage charge on which this transaction code will function as tax.

Test the Rate Table and Transaction Code

It is important to enter some test charges and run through the billing process to ensure that the transaction codes, rate tables and billing profiles are set up correctly.

The following pages contain examples of charges and taxes in Bill Entry, the charges and taxes on the edit journal and a statement with this type of tax included.

Tax Calculation for this Method:

Formula	Example
Usage – delivery threshold usage on rate table = taxable usage	863 – 750 = 113
Taxable usage * usage charge rate on rate table = taxable charge	113 * .03672 (on rate table) = 4.150
Taxable charge * tax rate that is trans code multiplier = tax to assess	4.150 * .055 (multiplier on trans code) = .23

Bill Entry Example:

Billing Edit Journal Example:

Statement Example:

```
                                    000229400101        189.01

                                                    02/05/2019
           14 MAIN ST                  01/29/19


       GEORGE WASHINGTON
       101 MAIN STREET
       FAIRCITY, ME 04105


GEORGE WASHINGTON          14 MAIN ST              000229400101   1  01/29/19


12/17/18 01/19/19    45037951      25331      26194       863       33        1


                               PAYMENTS SINCE LAST BILL      0.00

                               BALANCE FORWARD             58.73
                               RES ENERGY                  66.68
                               TX CHARGE EN                 0.00
                               R TRAN RES                  22.33
                               RTANS TAX                    0.00

                               DELIVERY CHARGE
                               RES DELV                    29.85
                               DELV.TAX CHARGE              0.23
                               CONSV FUND                   2.10
                               CON F RES TAX                0.00
                               CUSTOMER CHARGE              8.00

                               TOTAL TAX                    1.09
                               TOTAL GROSS                189.01
                               FINANCE CHARGES              0.00
                               TOTAL NET                 189.01
```