

SO HOW MUCH OF THAT PAYMENT IS TAX?

THE PROBLEM OF THE ODD PAYMENT

OK, WE GET IT. OTHER THAN REFUNDABLE DEPOSITS, IT'S ALL TAXABLE.

THAT MEANS AS FAR AS THE DEPARTMENT OF REVENUE IS CONCERNED, EVERY PAYMENT WE RECEIVE IS DEEMED TO CONSIST OF TWO ELEMENTS: PAYMENT AND TAX.

COMING IN THE FRONT DOOR

IT'S EASY TO KNOW WHAT PART OF A PAYMENT IS PAYMENT AND WHAT PART IS TAX WHEN YOU TELL A CUSTOMER WHAT TO PAY.

EXAMPLE: SUPPOSE THE COMBINED TAX ON RENTS AND FEES WHERE YOU ARE IS 2.3%.
LET'S SAY THAT THE TENANT COMES IN TO PAY AND OWES YOU \$81 (BEFORE TAX).
THE CALCULATION WOULD LOOK LIKE THIS:

RENT OWED	\$81.00
TAX AT 2.3%	<u>+ 1.86</u>
TOTAL DUE	\$82.86

CLIMBING THROUGH THE DINING ROOM WINDOW

WHAT HAPPENS THOUGH WHEN YOU OPEN THE MAIL AND HAVE TO POST A CHECK FOR AN ODD AMOUNT OF MONEY? HOW MUCH OF THAT PAYMENT IS TAX?

YOU COULD APPLY TRIAL AND ERROR UNTIL YOU STUMBLE UPON THE RIGHT COMBINATION OF PAYMENT AND TAX THAT TOTALS THE AMOUNT OF THE CHECK YOU RECEIVED. THERE'S AN EASIER WAY:

ASSUME AGAIN THAT THE TAX ON RENTS AND FEES WHERE YOU ARE IS 2.3%, AND LET'S SAY THE CHECK YOU RECEIVE IS FOR \$82.86, AN ODD AMOUNT, NOT ONE OF YOUR "STANDARD PAYMENTS."

1. EXPRESS THE TAX RATE AS A DECIMAL, NOT AS A PERCENTAGE
 $2.3\% = .023$

2. ADD 1 TO THAT $1 + .023 = 1.023$

3. DIVIDE THE AMOUNT OF THE PAYMENT BY THAT NUMBER
 $82.86 \div 1.023 = 81.00$

SO \$81 IS RENT (OR WHATEVER) AND THE REST IS THE TAX

$$\begin{array}{r} 82.86 \\ - 81.00 \\ \hline 1.86 \end{array}$$

BINGO! (AND YOU COMPLAINED IN SCHOOL THAT YOU'D NEVER HAVE A USE FOR ALGEBRA IN REAL LIFE!)