



## The State of California Wants You to Pay Use Tax

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### The Tax You Know About

Most of us are familiar with sales tax reporting requirements. If you sell products, you charge your customers sales tax, then in turn report, and remit those taxes to the state of California. You are required to file a sales tax return on a monthly, quarterly, or annual basis, depending upon your sales volume.

### The Tax You Might Not Know About

There is a lesser-known tax that also applies to items **used** within a state, and now California wants to be sure it collects the associated revenues.

### New Use Tax Return Filing Requirement

Effective for calendar year 2009, California has **expanded the return filing requirement** to include businesses considered to be “qualified purchasers” in California. Those businesses must now register with the California State Board of Equalization and file an annual Use Tax Return on or before April 15th of the following year.

According to the new rules, a “qualified purchaser” is a business that meets the following tests:

- Is required to hold a local business license anywhere in California,
- Is not already required to otherwise be registered with the BOE, and
- Receives at least \$100,000 in gross receipts from business operations during the calendar year.

### How Is Use Tax Liability Triggered?

You will owe use tax in any of the following situations:

- **When you purchase an item online from a company that is not required to collect sales tax in California.** You are required to pay use tax on the value of the item purchased, at the rate that applies where the item is used.
- **When you purchase an item in a no- or low-tax state and use it in California.** You owe use tax on the difference between the tax paid on the purchase and the tax rate that applies where the item is used or consumed. (Purchases of items from Washington State are a good example.)
- **When you purchase an item intended to be placed in inventory using a resale exemption certificate and then either convert it to business use or donate it.** You owe use tax on the cost of the item converted to business or charitable use.

This new rule will put an additional filing and reporting burden on service organizations that have not historically been required to file returns with the California State Board of Equalization.



*Here are some tools you might want to consider for help in complying with sales and use tax requirements.*

- 1. Whitepaper "[How to Choose a Sales Tax Management Solution](#)" written a member of our staff.*
- 2. [Sales and Use tax questionnaire](#) provided by a sales tax solution provider. The results can be forwarded by e-mail to our team for further discussion.*