



CARLSON TAX SERVICE

thinking about taxes so you don't have to

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CONCERNING CALIFORNIA STATE USE TAX

As you are aware, when you make a retail purchase in California, sales tax is added to many (if not most) of the items. Businesses that have a physical presence (or maintain inventory) in California collect this tax *on your behalf* at the time of sale and then remit it to the State Board of Equalization. Failure to do so results in steep fines for the business.

But what about those mail order, phone or Internet purchases you make from out-of-state businesses? The ones where they don't charge you sales tax? Well, we all like to think of these as "sales tax free" transactions, right? Unfortunately, according to California law, these purchases are not tax-free at all. The seller is just not required to collect and remit the tax to California. Look back to the first paragraph and the italics *on your behalf*. According to California law, if the seller is not required to collect and remit the tax for you, then you as the buyer are ultimately responsible for paying this "use" tax.

Whether it is called "use" tax or "sales" tax, the rates are the same: The base sales tax rate is 7.25% but cities and counties can add to this rate, so depending on where you reside, the rate can be as high as 9.75%. With the State budget situation the way it is currently, California is looking under every sofa cushion for cash, and the State expects *voluntary compliance* from you.

The following pages are taken from a PDF off of the Board of Equalization's website and it contains further instructions on calculating and remitting your use tax for last year, if applicable. Read this information over and if you have any questions, please refer to their website.

CALIFORNIA USE TAX

*for purchases
made from
out-of-state
businesses*

Place
Stamp
Here

This publication provides information about California use tax and contains a simple use tax return for individuals.

Business owners

If you have a California sales or use tax permit, use this return only to report personal purchases not related to your business.

Cigarette and Tobacco Product Consumers

You must pay state taxes if the out-of-state seller does not collect them from you. Contact the Excise Taxes Division at 916-327-4208 for more information.

Need more information?

Website

www.boe.ca.gov/sutax/faqusetax.htm

Publications

Download or order these publications from our website or call our Information Center for a copy.

53-A Consumer Sales and Use Tax Questions

109 Are Your Internet Sales Taxable?

110 California Use Tax Basics

112 Purchases from Out-of-State Vendors

Information Center

800-400-7115

TDD/TTY: 800-735-2929

Staff are available to help you from 8:00 a.m. to 5:00 p.m., Pacific time, Monday through Friday (except state holidays).

State Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-7071

**EXPRESS
DELIVERY**



State Board of Equalization
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California Use Tax

Many individuals and businesses in California buy items from out-of-state businesses that do not collect California tax on their sales. If you make such a purchase and then *use, give away, store, or otherwise consume* the item in this state, you may owe California *use tax*. This is true whether you order over the Internet, by telephone, or by mail. The use tax rate for a given California location is the same as the sales tax rate there.

How can I tell if I owe use tax?

Generally, if sales tax would apply when you buy a particular item in California, use tax applies when you make a similar purchase from a business located outside the state. If a seller does not collect and report the California tax on your purchase, you must report and pay use tax to us.

For example, if you buy a dining table at a California retail store, sales tax applies to the transaction. If you choose instead to buy the table over the Internet from a company in North Carolina, and the table is shipped from outside California, use tax applies.

How do I report and pay the use tax?

California's income tax returns include a line to report use tax. This line makes it easy to report and pay use tax on out-of-state purchases for individuals and businesses that are not required to have a seller's permit with the Board of Equalization. Additional information is included in the tax booklets sent with your income tax return. If you do not want to report use tax on your income tax return, or are not required to file California income tax returns, you can complete the use tax return included in this publication.

Please note: Seller's holding permits must continue to report and pay their business related use tax liabilities on their sales and use tax returns.

Completing Your Use Tax Return

You may use this simple return to pay the California use tax you owe. Follow these easy steps, starting at the top of the form:

- 1** Fill in your name, address, city, county, state, and zip code.
- 2** Provide a general description of the items you purchased, for example, "furniture" or "books."
- 3** List the purchase price of the items, including handling charges. Do not include separately stated amounts for freight or any tax you paid the seller. Round amounts to the nearest whole dollar.
- 4** Total your purchases on the "total" line.
- 5** Multiply the total by the sales and use tax rate in effect where the property is used, stored, or otherwise consumed. Use the decimal equivalent, for example 7.25% is 0.0725, 7.375% is 0.07375. The result is the use tax that applies to your purchase. List it on the line that says "use tax subtotal." If you don't know your sales and use tax rate, visit our website, www.boe.ca.gov, or call our Information Center at 800-400-7115.
- 6** Deduct the amount of any sales tax you paid to another state for the purchases listed.
Note: For each purchase, you cannot deduct more than the amount of tax that would have been due if the purchase had been made in California.
- 7** Send us a check for the balance ("total use tax due") along with the form. Please make a copy of the form for your records.

Use Tax Return

Please complete all items. Please print.

NAME _____

ADDRESS _____

CITY, COUNTY, STATE, ZIP CODE _____

GENERAL DESCRIPTION OF ITEMS PURCHASED	PURCHASE PRICE
	\$ _____
	\$ _____
	\$ _____
	\$ _____
	\$ _____
TOTAL	\$ _____
TAX RATE	X _____
USE TAX SUBTOTAL	\$ _____
DEDUCT SALES TAX PAID TO ANOTHER STATE	— _____
TOTAL USE TAX DUE	\$ _____

\$

\$

\$

\$

\$

\$

X

\$

—

\$

Please remove along dotted line.

Make check payable to: Board of Equalization

Mail return and check to:
Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-7071

SIGNATURE _____

DATE _____

DAYTIME TELEPHONE
() _____