



*Capitalizing on
Credits and
Avoiding the
Pitfalls of
Taxation*

*Connecting Women to Power
Business Conference
Friday, June 28, 2013*

2013 Connecting Women to Power
Business Conference



Cynthia Bridges

Executive Director
California State Board of Equalization



Board of Equalization (BOE)



The BOE administers tax programs concentrated in three general areas:

- **Sales and Use Tax**
- **Property Tax**
- **Special Taxes and Fees**

It also decides appeals for franchise and income taxes.



Good News about BOE

Based on Fiscal Year Data from 2010-11

- Contribute 1/3 of the state's revenue for schools, health and safety and other vital services
- Collect more than 95 percent of our revenue by voluntary compliance
- Generate \$100 in revenue for every \$0.82 expended

We want to help you avoid ...

- 5 Bumps in the Road!

#1 - Untaxed Purchases from Out-of-State Vendors

Includes:

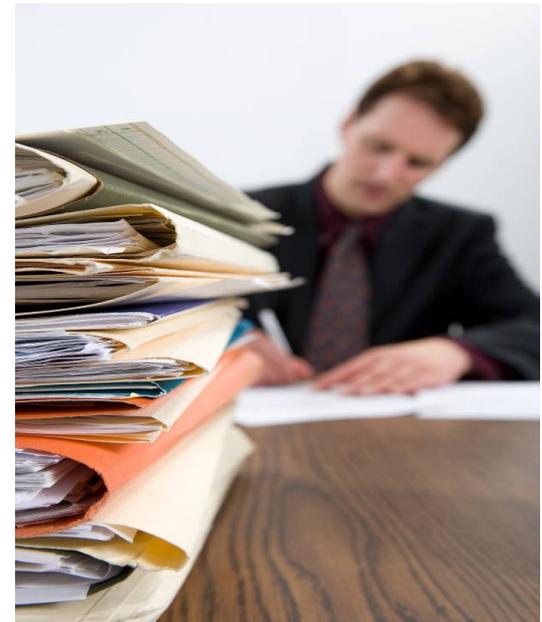
- Purchase for own use (not resale inventory) and
- From out-of-state businesses

Remember to pay your use taxes.



2 - Difference Between “Recorded” and “Reported” Taxable Sales

The comparison between taxable sales per your books/records and taxable sales reported to the BOE.



3 – Unsupported Sales for Resale

In plain English this means,
**Don't Sell Tax Free to Anyone
Unless They Have a Resale Certificate!**

Common ways to document sales for resale include:

- A Resale Certificate or
- A Purchase Order containing all the essential elements of a resale certificate

BOE 230 (7-02)
GENERAL RESALE CERTIFICATE

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

California Resale Certificate

I HEREBY CERTIFY:

1. I hold valid seller's permit number: _____
2. I am engaged in the business of selling the following type of tangible personal property:

3. This certificate is for the purchase from _____ of the item(s) I have
listed in paragraph 5 below. [Vendor's name]
4. I will resell the item(s) listed in paragraph 5, which I am purchasing under this resale certificate in the form of tangible personal property in the regular course of my business operations, and I will do so prior to making any use of the item(s) other than demonstration and display while holding the item(s) for sale in the regular course of my business. I understand that if I use the item(s) purchased under this certificate in any manner other than as just described, I will owe use tax based on each item's purchase price or as otherwise provided by law.

Resale Certificates Essential Elements

- Purchaser's name and address
- Purchaser's valid seller's permit number, or statement of why a permit is not required
- Description of property purchased
- A statement that the property is being purchased for resale
- Date signed
- Signature of purchaser

Note: Keep a copy for your records



Resale Certificate Verification

To verify Seller's Permit number(s)
stated on resale certificates, retailers may call

888-225-5263

or access our website at

www.boe.ca.gov



4 - Reported Sales Lower than Markup on Purchases

- Compare taxable purchases with taxable sales
- Key ring errors (using non-taxable key for taxable items) lead to reporting errors



Verifying Your Sales Using Mark-up Analysis

Gross Profit ÷ Cost of Goods Sold
= Mark-up

Example:

\$ 100,000 Sales
- 75,000 Cost of Goods Sold
\$25,000 Gross Profit

\$25,000 ÷ \$75,000
= 33.33% Markup



5 - Withdrawal from Resale Inventory for Own Use

Inventory items purchased with a resale certificate without payment of tax → Items withdrawn from inventory for use other than resale (including use as gifts and free samples or for personal use) = Use Tax Due on Cost



How Do I Pay California Use Tax Due?

- If you have a Seller's Permit, you must report your purchases subject to use tax on your Sales & Use Tax Return.
- If you do not have a Seller's Permit, you may report purchases subject to use tax:
 - On your California Individual Income Tax Return filed with the Franchise Tax Board (FTB), or
 - On the Consumer Use Tax Return (form BOE 401-DS) filed with the BOE
 - Online, using eReg, BOE's electronic registration system



Hot Tip #1 – Food & Beverages

Food is taxable if sold to eat at a place of business when:

- Tables, chairs or counters are provided,
- There are other dining facilities or a food court,
- It is intended for customers to eat on site, or
- A returnable container is provided



Hot Tip #2 – Hot Prepared Foods

Always Taxable

- Even if sold to go
- Even if cooled by time of sale
- Temperature is higher than room temperature
 - Grilling
 - Dipping
 - Infrared lights
 - Steam tables
 - Microwaves

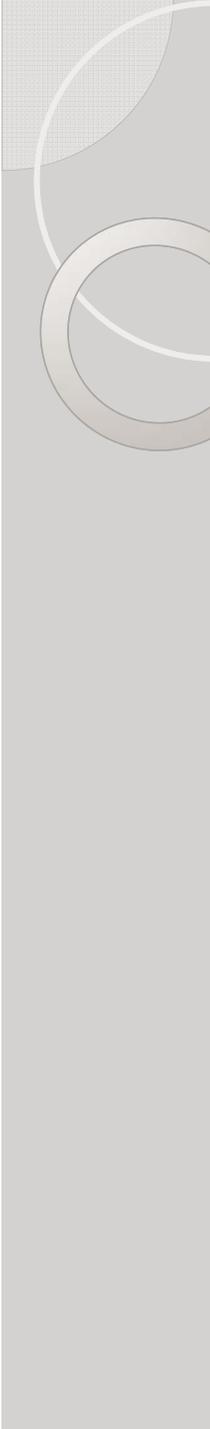


NOTE: Hot bakery goods and hot coffee are generally not taxable when sold to go and a la carte.

Hot Tip #3 – Gratuities, Tips, and Service Charges

- Optional tips are not taxable
 - Customer adds the amount to the bill
 - Tip area blank
- Mandatory tips are taxable
 - Printed on menu, brochure, etc., and
 - Automatically added to bill





eServices

- With BOE's eServices you can:
 - Register to get a seller's permit, pay use tax, or claim an exemption
 - File a tax or fee return
 - Make a payment, including payment by mobile devices
 - Request relief from penalty

For more information visit

<http://www.boe.ca.gov/electsrv/eServices.htm>

BOE Resources

- Contact our Taxpayer Information Section at:

800-400-7115 or 800-735-2929 (TDD)

(Mon. - Fri. 8 a.m. to 5 p.m.) OR

www.boe.ca.gov/info/contact.htm

- Sign up for BOE updates by subscribing to our email lists

www.boe.ca.gov/info/enotify.htm

- Watch online tutorials

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

- Connect with us via:    



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Selvi Stanislaus

Executive Officer
Franchise Tax Board



State of California

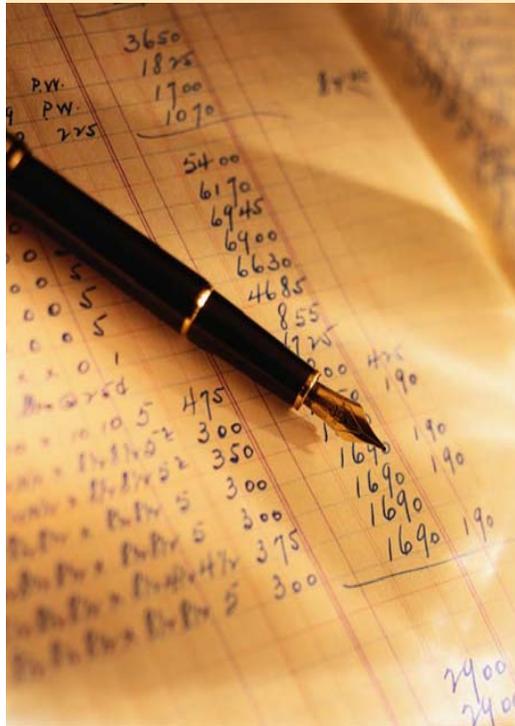
Franchise Tax Board

Selvi Stanislaus

Executive Officer

Record Keeping and Deductions

Keeping track of income and expenses is part of the job, too.



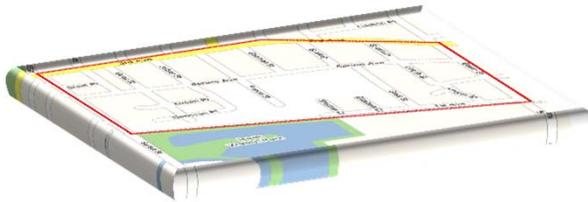
Be sure to keep:

- ❖ Track of **ALL** spending
- ❖ A copy of **EVERY** tax form you file
- ❖ Separate bank accounts for business and personal purposes
- ❖ Personal expenses separate from business expenses
- ❖ All business records at least four years after return is filed

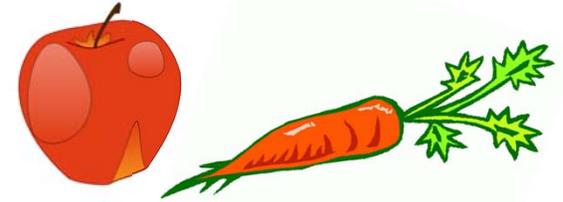
Business Deductions

- ❖ Expense must be allowed under state law
- ❖ Must be both “ordinary” and “necessary”
- ❖ In most circumstances, the cost may be written off
- ❖ If item is to be used for more than one year, it must be capitalized. Then expensed using depreciation deductions over a period of years

Business Tax Credits



Enterprise Zone Credits



Fresh Fruits or Vegetables Credit



New Jobs Credit



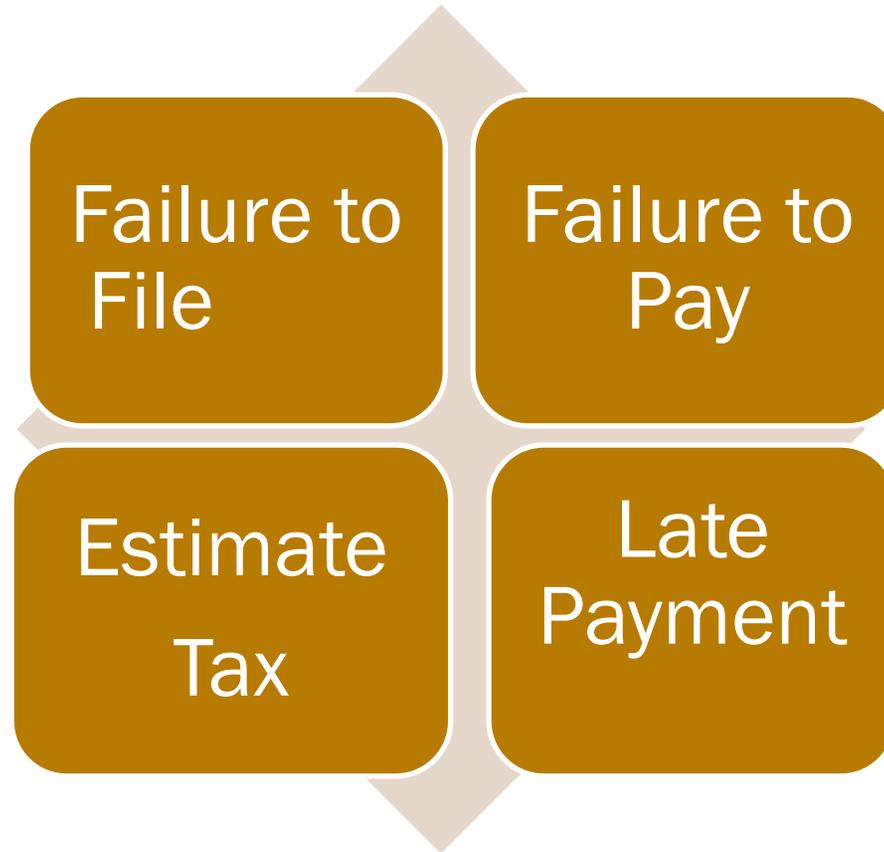
Motion Picture TV Production Credit

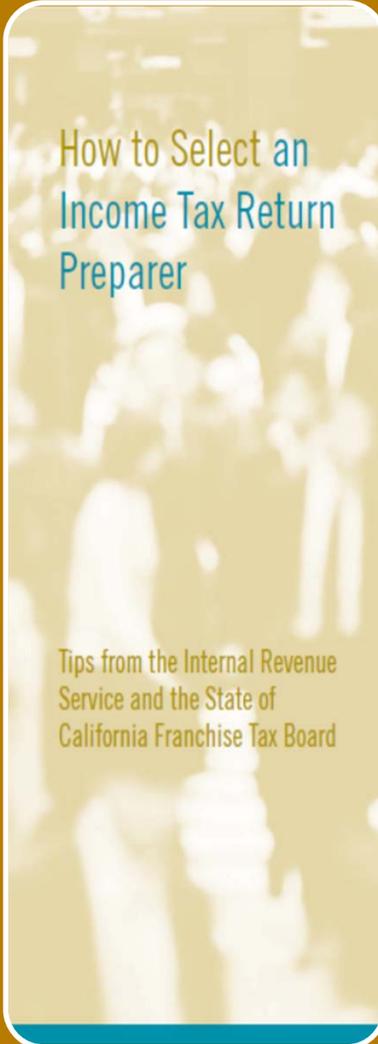


Research & Development Credit

**Visit: ftb.ca.gov
Keywords: Business Tax Credits**

Avoiding Penalties





How to Select an Income Tax Return Preparer

- Handout help you:
 - Make informed decisions
 - Know what to avoid
 - Find information about California tax preparers
- **It's important to know:** No matter who prepares your tax return - you are legally responsible for its accuracy

You and your authorized tax representatives can:

Get wage information

Verify California withholding

Verify estimated tax payments

Change a mailing address

View balances due

View FTB-issued 1099 forms



Connect with an FTB representatives to get answers to general questions about:

Online
Services

Personal
or
Business
Taxes

FTB's
Website

Available weekdays 7 a.m. to 5 p.m.

800.852.5711

Get answers to general questions:

Online
Services

Personal
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FTB's
Website

Available weekdays 7 a.m. to 5 p.m.

Additional Resources

- ❖ Franchise Tax Board's *Guide to Forms of Ownership*, **Form 1123** available online at FTB.CA.GOV
- ❖ **IRS Publication 334**, *Tax Guide for Small Businesses*. Available online at IRS.GOV
- ❖ **IRS Publication 583**, *Starting a Business and Keeping Records*. Available online at IRS.GOV
- ❖ Subscribe to FTB's **Tax News** at FTB.CA.GOV
- ❖ Subscribe to IRS's **E-News** at IRS.GOV

Go-Biz

GO-Biz offers a range of services to business owners including:

- ❖ Retention and expansion services
- ❖ Permit streamlining
- ❖ Clearing of regulatory hurdles
- ❖ Small business assistance
- ❖ Customer attraction
- ❖ International trade development
- ❖ Assistance with state government attraction
- ❖ Site selection

www.business.ca.gov



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Paula Levy-Harris

Southern Region Program Manager
Employment Development
Department

Employment Development Department Programs and Services

- Unemployment Insurance (UI)
- State Disability Insurance (SDI)
- Workforce Services
- Employment and Training Programs
- Labor Market Information
- Payroll Taxes

What's New?

- CalJOBSSM.
- SDI Online.
- *California Employer's Guide* (DE 44) and *Household Employer's Guide* (DE 8829).
- Reporting Newly Hired or Rehired Employees.



e-Services for Business

- Online access 24 hours a day, 7 days a week.
- Register for an employer payroll tax account.
- Ability to view and edit your returns/reports prior to submission.
- Fast, easy, and secure way to manage your payroll taxes.
- Update account information.
- Make payroll tax deposits for current quarters.

Tips for Business Success

- Properly classify your workers.
 - Employees
 - Independent contractors
- Use electronic filing and payment methods to reduce errors.
- File returns and pay taxes on time to avoid penalties.
- Respond timely to all correspondence.
- Minimize Unemployment Insurance Taxes.

Tax Credits and Incentives

- Work Opportunity Tax Credit (WOTC)
- Empowerment Zone and Renewal Community Tax Incentives
- Disabled Access Credit
- Architectural and Transportation Tax Deduction

Resources for Business Owners

- Website: www.edd.ca.gov
- Seminars: www.edd.ca.gov/Payroll_Tax_Seminars
- e-Services for Business:
<https://eddservices.edd.ca.gov>
- E-mail subscription service:
www.edd.ca.gov/About_EDD/Get_Email_Notices.htm
- Taxpayer Assistance Center: 888-745-3886

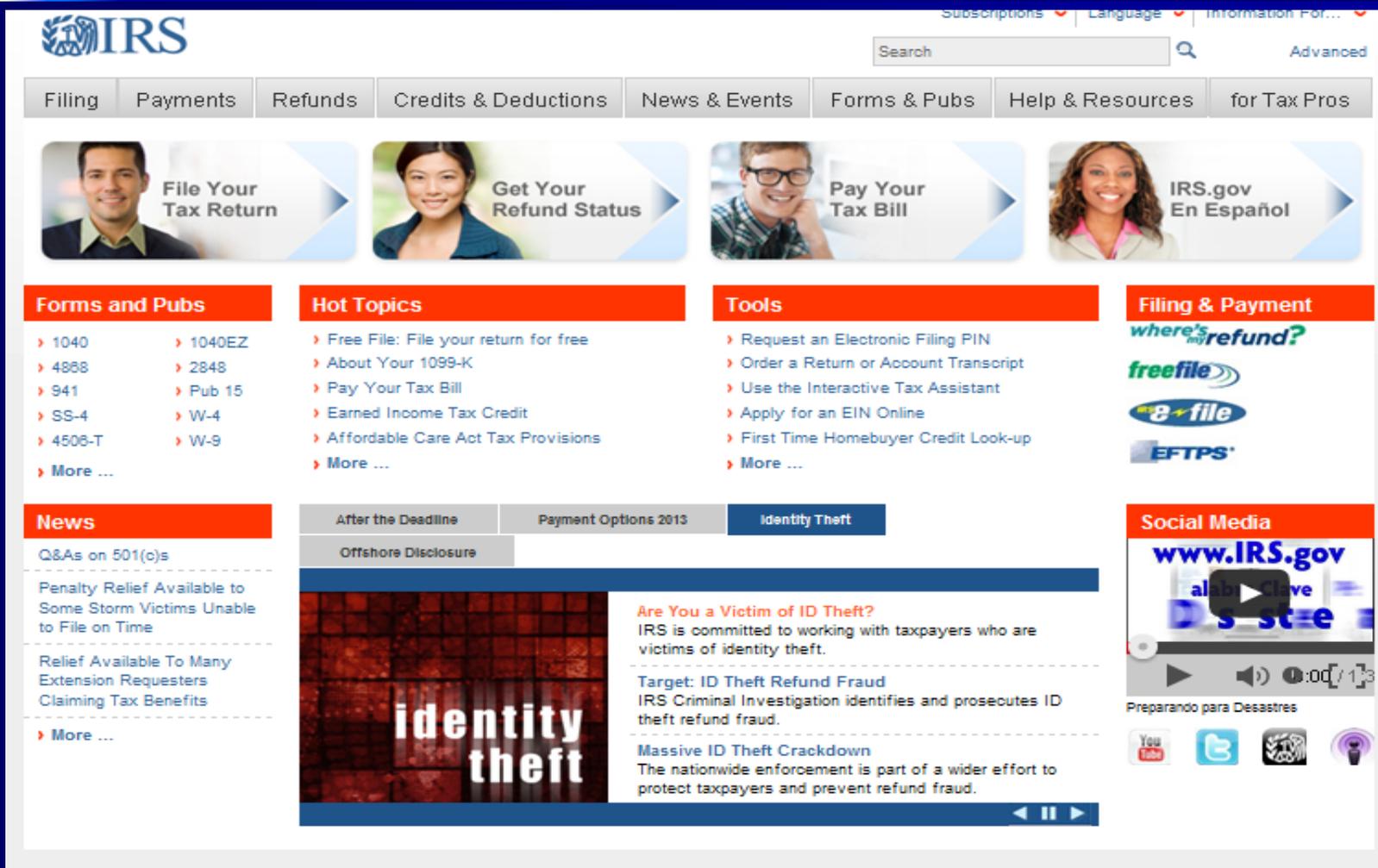
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Cathy Ortiz

Senior Stakeholder Liaison
Internal Revenue Service

IRS HomePage



The screenshot shows the IRS Home Page with the following layout:

- Header:** IRS logo, navigation links for Subscriptions, Language, and Information For..., a search bar, and an Advanced search option.
- Navigation Menu:** Filing, Payments, Refunds, Credits & Deductions, News & Events, Forms & Pubs, Help & Resources, for Tax Pros.
- Hero Section:** Four large buttons with images: "File Your Tax Return", "Get Your Refund Status", "Pay Your Tax Bill", and "IRS.gov En Español".
- Forms and Pubs:** A list of tax forms including 1040, 1040EZ, 4868, 2848, 941, Pub 15, SS-4, W-4, 4506-T, and W-9, with a "More ..." link.
- Hot Topics:** A list of current topics including "Free File: File your return for free", "About Your 1099-K", "Pay Your Tax Bill", "Earned Income Tax Credit", "Affordable Care Act Tax Provisions", and a "More ..." link.
- Tools:** A list of tools including "Request an Electronic Filing PIN", "Order a Return or Account Transcript", "Use the Interactive Tax Assistant", "Apply for an EIN Online", "First Time Homebuyer Credit Look-up", and a "More ..." link.
- Filing & Payment:** Logos for "where's my refund?", "freefile", "e-file", and "EFTPS".
- News:** A section with a "News" header and articles such as "Q&As on 501(c)s", "Penalty Relief Available to Some Storm Victims Unable to File on Time", and "Relief Available To Many Extension Requesters Claiming Tax Benefits", with a "More ..." link.
- Identity Theft Alert:** A prominent banner for "identity theft" with the text "Are You a Victim of ID Theft? IRS is committed to working with taxpayers who are victims of identity theft." Below this, it says "Target: ID Theft Refund Fraud" and "Massive ID Theft Crackdown".
- Social Media:** A section titled "Social Media" featuring a video player for "www.IRS.gov" and social media icons for YouTube, Twitter, Facebook, and RSS.

Small Business/Self-Employed Tax Center

- Forms & Publications
- Apply for EINs
- Starting, Operating, or Closing a Business
- Small Business Workshops & Events
- Subscribe to e-News for Business

Small Business Taxes: The Virtual Workshop

Small Business Taxes: The Virtual Workshop



▶ 🔊 🔇 / English 🗲 👍 Like 👎 Share 📖

IRS Video Portal

IRS Video  PORTAL

Individuals

Businesses

Tax Professionals

Governments

Non-Profits

Español

TOPIC AREAS

- ▶ Bank Secrecy Act
- ▶ Business Expenses
- ▶ Business Income
- ▶ Changing Your Business
- ▶ Disaster Information
- ▶ Employers
- ▶ Filing/Paying Taxes
- ▶ IRS Audits
- ▶ IRS Liens
- ▶ Post-Filing Issues
- ▶ Resources
- ▶ Retirement Plans
- ▶ Scams & Fraud
- ▶ Small Biz Workshop
- ▶ Starting a Business

Information for **Small Businesses**

Use the buttons on the left to view
all presentations in a specific category



Identity Protection

Identity Protection



[Español](#)

**Protect Yourself From
Identity Theft**

The IRS is committed to working with taxpayers who are the victims of identity theft

The IRS has taken numerous steps to combat identity theft and protect taxpayers. We are continually looking at ways to increase data security and protect taxpayers' identities with assistance from our Identity Protection Specialized Unit. Identity theft cases are among the most complex ones we handle.

We know identity theft is a frustrating process for victims. We take this issue very seriously and continue to expand on our robust screening process in order to stop fraudulent returns and protect innocent taxpayers.

On this page, you will find a wide range of information. Depending upon your personal circumstances, the information found here will cover a variety of scenarios involving identity theft, ranging from contacting us with a case of identity theft to providing tips to help keep your records safe.

- **Victim of identity theft?**

[Do you have reason to believe you are the victim of identity theft and your tax accounts have been affected?](#)

- **Lost or stolen wallet?**

[Have you become the victim of identity theft? Here are places for help.](#)

- **Protect yourself**

[Tips from the IRS to help protect yourself from identity theft](#)



See [YouTube](#) for more ID theft videos.

On-line Installment Agreement

Payments



Pay over time...

Get on a monthly payment schedule

[Apply for an Installment Agreement](#)

Payments Topics

- Electronic Federal Tax Payment System (EFTPS)
- Debit or Credit Card
- Check or Money Order
- Understand Your IRS Notice
- Alternative Payment Plans & Hardship Information
- Collection Process

Make a Payment



How do I pay now?

Use a safe and convenient electronic payment option or send your payment. Pay by:

- [Debit or credit card](#)
- [Electronic funds transfer](#)
- [Check or money order](#)



What if I can't pay now?

Learn about IRS programs designed to help you meet your tax obligations without causing additional hardship:

- [Installment Agreement](#)
Allows you to pay your taxes over time, if you qualify.
- [Offer in Compromise](#)
Allows you to settle for less than you actually owe, if you meet strict requirements.



What if I don't pay?

The IRS is legally required to take certain steps to collect your balance due account.

- Your refund can be used to **offset** your bill.
- A federal tax **lien** can be filed against your property.
- Your salary/accounts can be seized through a tax **levy**.
- You can be served a **summons** to provide information.

Get Help

- [Understand Your IRS Notice](#)
- [Understand IRS Collection \(videos\)](#)
- [Download a Form](#)



Pub. 594: IRS Collection Process

Explains the actions IRS may take to recover taxes owed. [Download Pub. 594](#)

(PDF)

Resources On irs.gov

- **Identity Theft**
- **Small Business Information**
(800) 829-4933 or
<http://www.irs.gov/businesses/small/index.html>
- **Small Business Tax Workshops and Webinars**
<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Small-Business-Tax-Workshops-and--Webinars>
- **Taxpayer Advocate Office**
(877) 777-4778 or (213) 576-3140