

For Immediate Release
February 2, 2010

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Board of Equalization Reminds California Businesses of Use Tax Registration Requirements

Qualified purchasers must register to avoid penalties and interest for use tax liabilities

Thousands of California businesses must register with the California State Board of Equalization (BOE) to report and pay use tax, the BOE reminded taxpayers today.

A new use tax registration and reporting law requires qualified purchasers to file returns by April 15 of each year, reporting all purchases subject to use tax from the previous calendar year, beginning with purchases made during 2009.

Beginning in October 2009, the BOE notified 180,000 California businesses by letter that they meet the definition of a qualified purchaser, and that they are required to register with the BOE because of a new registration law added to the Revenue and Taxation Code (section 6225) by Assembly Bill x4-18. Even if a business did not receive a letter, but meets the criteria of a qualified purchaser, they must register, file returns, and pay any use tax owed.

A qualified purchaser is a business that:

- Receives at least \$100,000 in gross receipts per year from business operations (including both in-state and out-of-state operations);
- Is not required to hold a seller's permit with the BOE;
- Is not a holder of a use tax direct payment permit;
- Is not required to be registered with the BOE; and
- Is not otherwise registered with the BOE to report use tax

As they always have been, businesses who do not meet the \$100,000 gross receipts threshold are still required to report and pay use tax, but are not required to register with the BOE for that purpose. Persons that have multiple businesses with the same ownership must register if the aggregate gross receipts of those businesses meet or exceed the \$100,000 threshold.

Businesses that have no physical presence in California are not required to register.

To simplify the registration process, new applicants will be automatically registered to eFile their returns for 2007, 2008, and 2009 beginning in March 2010. However, applicants who have a use tax liability and wish to file their 2007 and 2008 returns prior to the availability of eFiling should go to their [local BOE office](#), register for a use tax account, and request paper returns. Paying 2007 and 2008 liabilities, if any, will stop interest from accruing.

Section 6225 does not apply to purchases of vehicles, vessels, and aircraft. For more information on how to properly report use tax on purchases of such property, see the Frequently Asked Questions at <http://www.boe.ca.gov/sutax/faqtrans.htm>.

The use tax, which has been law since 1935, is the same rate for any California location as the sales tax rate. Generally, California use tax is owed when individuals or businesses use, consume, give away or store tangible personal property (products you can see, weigh, feel or touch) in California that was purchased from an out-of-state vendor. If an out-of-state vendor does not collect California tax on your purchase, you must pay the tax.

The effort is estimated to bring in \$81 million in 2009-10, \$183 million in 2010-11, and \$367 million in 2011-12.

For more information, visit www.boe.ca.gov or call the Taxpayer Information Center at 800-400-7115.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

[Frequently Asked Questions: Use Tax Registration Requirements](#)

[Special Notice: *New Registration and Reporting Requirements for Certain Purchasers*](#)

[2009 Notification Letter](#)

[BOE 404-A, *Use Tax Registration Form*](#)

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