



State Board of Equalization

# News Release

**Vice Chair Michelle Steel**

**3<sup>rd</sup> District – Rolling Hills Estates**

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## **Board of Equalization Announces Service Business Owners Required to Register and Pay Use Tax**

Michelle Steel, Vice Chair of the California State Board of Equalization (BOE), today directed BOE staff to notify the approximately 300,000 additional service businesses that have been registered with the Board of Equalization this year that their use tax returns are due along with income taxes on April 18, 2011.

While businesses and consumers have always been required to report use tax on their purchases, in 2009, a new law was added to the Revenue and Taxation Code (section 6225) by Assembly Bill x4-18 which requires businesses that meet the definition of a "qualified purchaser" to register with the BOE and to file returns by April 15 (April 18 in 2011) of each year, reporting all purchases subject to use tax from the previous calendar year. A qualified purchaser is a business that:

- Receives at least \$100,000 in gross receipts per year from business operations;
- Is not required to hold a seller's permit with 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.

Businesses that 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.

To simplify the registration process, new applicants have been automatically registered to eFile their returns for 2008, 2009 and 2010.

Use tax, which has been the 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 in California use, consume, give away or store tangible personal property (things you can see, weigh, feel or touch) that they purchased from an out-of-state vendor, including online, through the mail, or over the telephone. If an out-of-state vendor does not collect California tax on your purchase, you must pay the use tax.

If you are not a retailer or service business currently required to register with the BOE, the easiest way to report and pay use tax is on the California state income tax return. You may also register with the BOE as a consumer to pay use tax.

BOE offers assistance to help taxpayers understand their use tax reporting obligations. BOE offers information on its website at [www.boe.ca.gov](http://www.boe.ca.gov) to help educate taxpayers on their tax obligations so they can more easily voluntarily comply. Information includes commonly asked questions and answers, video presentations and information regarding seminars taxpayers may attend to get more information.

Elected to the Board of Equalization in 2006 and re-elected in 2010, Michelle Steel serves as Southern California's elected taxpayer advocate. In December 2007, Steel discovered the Board of Equalization had delayed the return of millions of dollars in security deposits owed to California businesses. Procedures were changed due to Steel's decisive leadership. Following her investigation, the tax agency refunded tax security deposits to over 5,500 small businesses.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects more than \$48 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](http://www.taxes.ca.gov).

Use Tax Registration Frequently Asked Questions: <http://www.boe.ca.gov/sutax/useTaxRegFAQ.htm>  
Publication 126, Use Tax Registration for Service Enterprises: <http://www.boe.ca.gov/pdf/pub126.pdf>  
Use Tax eFile Tutorial: [http://www.boe.ca.gov/electsrv/efiling/efile\\_demo/efile\\_use\\_tax.htm](http://www.boe.ca.gov/electsrv/efiling/efile_demo/efile_use_tax.htm)

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