



Supplement to Special Notices New District Tax Rates to Take Effect April 1, 2009 and Statewide Sales and Use Tax Rate Increases on April 1, 2009

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How Fixed-Price Contracts and Fixed-Price Lease Agreements are Affected by the Sales and Use Tax Statewide Rate Increase of 1 Percent Effective April 1, 2009

On April 1, 2009, the minimum combined state, county and local sales and use tax rate increases to 8.25% from 7.25%, as approved with the 2009-10 state budget. The 1% increase will sunset on either July 1, 2011, or July 1, 2012, the latter if the voters approve the proposed Budget Stabilization constitutional amendment in a statewide election to be held on May 19, 2009. If you are engaged in business in a special tax district, your sales are subject to a total sales tax rate of 8.25% plus the applicable district tax rate.

Fixed-price contracts and fixed-price lease agreements are **not exempt** from the 1 percent statewide tax rate increase.

Fixed-price contracts and fixed-price lease agreements entered into prior to April 1, 2009, are not exempt from the statewide 1% tax increase. Effective April 1, 2009, the tax rate increase will apply to such contracts, not the rate in effect at the time you entered into the fixed-price contract or lease agreement.

Example:

1% Statewide Increase: Effective April 1, 2009, the total tax rate for the City of Los Angeles will be 9.25% which includes the new statewide sales and use tax rate of 8.25%, plus the 1.00% Los Angeles county district tax. If you entered into a lease agreement on March 1, 2009 subject to the City of Los Angeles sales and use tax rate, your rate would have been 8.25%. However, on April 1, 2009 your sales and use tax rate would increase to 9.25%.

If you incorrectly collect sales tax reimbursement or use tax at the lower tax rate after April 1, 2009, you will still owe the 1% difference.

Additional information regarding the statewide sales and use tax rate increase is available in our Special Notice at www.boe.ca.gov/news/pdf/l212b.pdf.

Fixed-price contracts and fixed-price lease agreements **are exempt** from district tax increases:

In general, fixed-price contracts and fixed-price lease agreements entered into prior to the starting date of a new district tax are exempt from the district tax increase. Additional information on the new combined statewide and district tax rates are available in our Special Notice at www.boe.ca.gov/news/pdf/l212a.pdf.

Example:

District Tax Rate Increase: On July 1, 2009 the Los Angeles county district tax rate will increase from 1.00% to 1.50%. If you entered into a lease agreement on March 1, 2009 that was subject to the City of Los Angeles sales and use tax rate, your tax rate would be 9.25% on April 1, 2009 and would not increase due to the change in your district tax rate occurring on July 1, 2009. However, lease agreements occurring on or after July 1, 2009 would be subject to the new rate.

For more information, visit our website at www.boe.ca.gov or call our Taxpayer Information Section at 800-400-7115.