



# Special Notice

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## New Tax Rates to Take Effect on October 1, 2005

**Madera County: 7.25%**

The Madera County Transit Authority is scheduled to expire September 30, 2005. Effective October 1, 2005, the tax rate within the county will decrease from 7.75% to 7.25%.

**City of Ukiah: 7.75%**

Voters have approved a 0.50% City of Ukiah Transactions and Use Tax, which will increase the tax rate within the city limits from 7.25% to 7.75% effective October 1, 2005. Ukiah is located in Mendocino County. Some of the zip codes for the City of Ukiah may be shared by unincorporated areas of Mendocino County. You should verify your business is located within the Ukiah City limits before collecting the increased tax rate. The tax rate in areas outside the city limits of Ukiah will remain the same.

**Which retailers must collect tax at the new rates?**

You must apply the new sales and use tax rates if you:

- Are a retailer in the district and your merchandise is sold and delivered within the district.
- Are a retailer located outside of the district who is engaged in business in the district and you sell merchandise for use in the district. You are considered to be engaged in business in the district if you (1) have any type of business location there, (2) deliver into the district using your own vehicles or (3) have an agent or representative in the district for the purpose of taking orders, or for sales, delivery, installation, or assembly.
- Are a dealer of vehicles, vessels, or aircraft and sell those items to customers who register them to an address located in the district.
- Collect tax on lease payments you receive for leased property used by the lessee in the district.

If you are not required to collect the additional district tax, as described above, the purchaser is liable for that tax.

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*(continued from front)*

**Is there an exemption from the tax increase?**

Fixed-price contracts and fixed-price lease agreements entered into before to October 1, 2005, are generally subject to the tax rates in effect at the time you and your customer entered into the contract. To qualify as “fixed-price,” neither party can have the unconditional right to adjust the price for an increase in costs or terminate the contract or lease [Revenue and Taxation code sections 7261(g) or 7262 (f)]. In addition, the tax amount or rate must be specifically stated in the contract or lease agreement. If the contract or lease qualifies as fixed-price, you should continue to report and remit the specified tax rate—that is, the rate in effect at the time you entered into the contract.

The fixed-price contract exemption, however, is designed to protect the business expectations of the parties when they entered into the contract and protect them from an unplanned increase in tax rate. If the tax rate should go down after the terms of your contract have been established, any sales made after the date of the tax decrease would be taxed at the new, lower rate.

**Rate Charts Available**

For your convenience, 7.25% and 7.75% rate charts are available for sales up to \$100 (form BOE-180-7.25% and BOE-180-7.75%). If you would like to obtain a copy of any of these tax rate charts, please order them online at [www.boe.ca.gov](http://www.boe.ca.gov) or call our Information Center at 800-400-7115.

**For More Information**

If you have any questions regarding this notice, please call our Information Center at 800-400-7115. Staff are available from 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding state holidays.

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