



Special Notice

Do Your Sales or Purchases Qualify for a Partial Tax Exemption?

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If so, you should know the partial rate exemption increases on July 1, 2004.

Rate Change

Under California's Sales and Use Tax Law, some sales and purchases are exempt from the state portion of the sales and use tax rate. The total rate is made up of a state component and county, local, and district tax components. As a result of changes to the law, the state component will increase from 5.00% to 5.25% on July 1, 2004. This means that a sale that was entitled to a 5.00% tax rate exemption prior to July 1, 2004, will be entitled to a 5.25% exemption on an after July 1, 2004.

Note: The total statewide base sales and use tax rate will not change. It will remain at 7.25%. The increase of 0.25% in the state rate component is offset by a decrease of 0.25% in the local rate component.

Eligible Sales and Purchases

The partial tax exemption applies to eligible sales and purchases of

- Farm equipment and machinery
- Diesel fuel
- Timber harvesting equipment
- Racehorse breeding stock
- Teleproduction and other post-production equipment

For information on who qualifies for the partial tax exemptions listed above, please visit our website at www.boe.ca.gov. Select "Sales and Use Tax" under the BOE Programs menu, and then click on the menu item, "New Sales and Use Tax Exemptions—AB 426 Summary." You may also call our Information Center at 800-400-7115.

Determining the Correct Tax Rate

To determine the correct tax rate for a partial exemption on and after July 1, 2004, you should subtract 5.25% from rate of tax normally due on a sale or purchase. For example, if the tax rate in effect for a sale or purchase is 7.50%, you should subtract 5.25% from that amount to find the correct rate to use, which is 2.25% ($7.50\% - 5.25\% = 2.25\%$).

Note to Retailers

You do not need obtain new blanket exemption certificates. Properly completed certificates already on file may be used to support partially exempt sales made under the new rate.

Help Us Get the Word Out

To ensure news of the rate change for the partial exemption reaches as many interested parties as possible, we request that you provide a copy of this notice to your organization members, colleagues, and other associates.

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