



## Sales Taxes and Excise Taxes on Fuel

At the February 24, 2015 meeting of the California State Board of Equalization (BOE), the Board Members approved new sales tax prepayment rates for gasoline, diesel fuel, and jet fuel, as well as new excise tax rates on gasoline and diesel fuel, as required under the provisions of the [Fuel Tax Swap legislation](#) enacted in 2010. Generally, the sales tax prepayment rates and the excise tax rates remain in effect from July 1 of the current year, to June 30 of the following year. Due to the decrease in the price of fuel, the sales tax prepayment rates were adjusted prior to July 1, and are effective April 1, 2015. The rates vary depending on the type of fuel involved and may be adjusted during the year, if necessary.

### Sales tax prepayment rates—Effective April 1, 2015

The sales tax prepayment rate for all three fuel types decreased:

- Gasoline rate dropped to \$0.05 per gallon (from \$0.065 per gallon)
- Diesel fuel rate dropped to \$0.225 per gallon (from \$0.27 per gallon)
- Jet fuel rate dropped to \$0.115 per gallon (from \$0.175 per gallon)

The above rates are in effect from April 1, 2015, through June 30, 2016.

### Excise tax rates—Effective July 1, 2015

- Gasoline excise tax rate dropped to \$0.30 per gallon (from \$0.36 per gallon)
- Diesel fuel excise tax rate increased to \$0.13 per gallon (from \$0.11 per gallon)

The above rates will be in effect from July 1, 2015, through June 30, 2016.

For additional information concerning tax rates, please see [Tax Rates—Special Taxes and Fees and California City & County Sales & Use Tax Rates](#) on our website at [www.boe.ca.gov](http://www.boe.ca.gov), or call our Customer Service Center at 1-800-400-7115 (TTY:711).

## Partial Exemption for Manufacturing and Research & Development Equipment

Beginning July 1, 2014, manufacturers and certain researchers and developers may qualify for a partial exemption of sales and use tax on certain manufacturing and research & development equipment purchases and leases.

In general, to be eligible for this partial exemption, you must meet all three of these conditions:

- Be primarily engaged in certain lines of business, also known as a “qualified person”;
- Purchase “qualified tangible personal property”; and
- Primarily use that qualified property in qualifying manufacturing and/or research & development activities.

Qualified persons will pay only 3.3125 percent sales or use tax plus any applicable district imposed taxes until June 30, 2022, on qualifying purchases and leases.

Purchasers who qualify for the exemption do not need to apply to the California State Board of Equalization (BOE) to claim the partial exemption. Instead, when you make qualifying purchases, you must timely provide the seller with a partial exemption certificate to obtain the reduced tax rate. The BOE has exemption certificates available at [www.boe.ca.gov/formspubs](http://www.boe.ca.gov/formspubs).

Sellers that make qualifying sales or leases must obtain a timely exemption certificate from the purchaser or lessee. The seller will be able to claim the deduction for sales subject to the partial exemption on their sales and use tax return.

To see if you qualify for the partial exemption and the types of property and uses that qualify, you should review the law and regulations governing this exemption. You may find more information about this partial exemption and links to the relevant law by visiting our Manufacturing and Research & Development Industry Guide webpage at [www.boe.ca.gov/MRDexemption](http://www.boe.ca.gov/MRDexemption).

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## Fiscal Year Return Filers

The due date for returns for a fiscal year reporting period is July 31. As a holder of a seller's permit, who is reporting on a fiscal year basis, you should know:

- You are required to file a return even to report zero gross sales;
- You are required to file a return even if you do not owe any tax; *and*
- You are required to file a return even if you cannot pay the tax you owe.

Failure to file a return for any period may result in imposition of a penalty, an estimated billing, or close out of your permit. If you operate without a seller's permit you may be subject to fines or imprisonment.

If you attend trade shows or events, event coordinators may review the status of your seller's permit on the BOE's website, to verify that it is valid. If your permit is not valid, you may be denied access to the show or event.

If you are no longer in business, you should contact your local BOE office immediately to close out your permit.

For additional information, please visit our website at [www.boe.ca.gov](http://www.boe.ca.gov) or call our Customer Service Center at 1-800-400-7115 (TTY:711).

## Top 500 Sales and Use Tax Delinquencies in California

California law requires the BOE to post its online list of the Top 500 sales and use tax delinquencies each quarter. The public listing, is intended to encourage delinquent taxpayers to resolve their delinquencies so they may avoid having their name appear on the list.

Taxpayers are notified 30 days before their information is posted, allowing them time to pay. The list does not include amounts that are being addressed through payment arrangement, bankruptcy, litigation, or appeal. Taxpayers can request that any full or partial payments be posted on this list.

Partners are generally liable for the delinquent taxes of a partnership. In addition, under some circumstances, individuals who are responsible for sales and use tax matters for a corporation, partnership, limited partnership, limited liability partnership, or limited liability company, might be held personally liable for the organization's delinquent taxes.

The BOE provides the Top 500 list to participating state agencies that issue occupational or professional licenses, certificates, registrations, and driver licenses. Upon notification, the licensing agencies are either required to, or may, suspend, revoke, and refuse to issue a license if a person's name appears on the list. In addition, it provided for delinquent taxpayers to be precluded from contracting with the state.

BOE's current list of the Top 500 Sales and Use Tax Delinquencies in California is available at [www.boe.ca.gov/cgi-bin/deliq.cgi](http://www.boe.ca.gov/cgi-bin/deliq.cgi). An interactive map displays each delinquent taxpayer's name, location, and amount owed. Taxpayers on the Top 500 list may contact the BOE at 1-916-445-5167 to resolve their liability and make payment agreements.

## You May Owe Use Tax

When sales tax does not apply, use tax may be owed on purchases made online, or from an out-of-state retailer, on items that are used, stored, or consumed in California. Usually, if you buy taxable items such as books, electronic equipment, or toys for use in California from any out-of-state seller and you are not charged California tax, you are responsible to pay use tax on these purchases. To determine if you may owe use tax, review your receipt to see if you were charged tax on your online and out-of-state purchases. You may owe use tax on them.

Many people have not heard of use tax; it is a vital source of funding for the state and local services that Californians rely on every single day. It is not an Internet tax. Use tax has been state law since 1935.

Last year, businesses and California residents paid more than \$4.6 billion in use tax; however, the BOE estimates that more than \$1 billion goes unpaid each year, equivalent to the salaries of more than 11,000 teachers or 7,000 police officers. Use tax is important to California because it helps support state and local government efforts to fund schools, public safety, health care, environmental protection, road improvements, and other services.

It is easy to calculate and pay any use tax owed. The BOE provides three easy ways:

- Download and use the [BOE's mobile application](#) on your smartphone—the application calculates what you may owe;
- Register and pay on the BOE website; *or*
- Report on your California state income tax forms—estimate the tax owed with the [Use Tax Lookup Table](#), or save your receipts and pay the exact amount owed.

Consumers or business owners with questions about use tax can visit [www.boe.ca.gov](http://www.boe.ca.gov) or call our Customer Service Center at 1-800-400-7115 (TTY:711).



## Caterers

The term “caterer” means a person engaged in the business of serving meals, food, or drinks on the premises of the customer, or on the premises supplied by the customer. This includes the premises leased by the customer from a person other than the caterer; however, it does not include employees hired by the customer by the hour or day. A person is not considered a caterer if the person sells food to go or merely delivers food, and does not provide dishes or flatware to serve food.

Generally, a caterer is considered to be the consumer of tangible personal property normally used in the furnishing and serving of meals, food, or drinks, except when separately stated charges are made by the caterer for the lease of tangible personal property or items that are sold with meals, food, or drinks. These items include disposable plates, napkins, utensils, glasses, cups, stemware, place mats, trays, covers, and toothpicks.

Tax applies to the entire charge made by caterers for serving meals, food, and drinks—inclusive of charges for food—the use of dishes, silverware, glasses, chairs, and tables used in connection with serving meals, and for the labor of serving the meals, whether performed by the caterer, the caterer’s employees, or subcontractors. Tax also applies to charges made by caterers for preparing and serving meals and drinks, even though the food is not provided by the caterers. Tax applies to charges made by caterers for hot prepared food products, regardless of whether the caterer serves it.

A caterer who separately states or itemizes charges for the lease of tangible personal property—regardless of the use of the property—is considered the lessor of such property, and tax applies in accordance with [Regulation 1660](#), *Leases of Tangible Personal Property—In General*. Tax does not apply to charges made by caterers for the rental of dishes, silverware, or glasses purchased by the caterer with tax paid on the purchase price, if no food is provided or served by the caterers, in connection with such rental.

Tax applies to charges by a caterer for event planning, design, coordination, and/or supervision, if they are made in connection with the furnishing of meals, food, or drinks for the event. Tax does not apply to separately stated charges for services unrelated to the furnishing and serving of meals, food, or drinks, such as optional entertainment or any staff who do not directly participate in the preparation, furnishing, or serving of meals, food, or drinks, for example, coat-check clerks, parking attendants, and security guards.

Tax does not apply if you prepare or serve food, meals, or drinks to a buyer who will sell those items at retail and report tax on their sale. In such instances, the buyer should provide you with a valid resale certificate. Please see [Regulation 1668](#), *Sales for Resale* and [publication 103](#), *Sales for Resale*.

For more information about the catering industry, visit the Tax Guide for Caterers at [www.boe.ca.gov/industry/caterers.html](http://www.boe.ca.gov/industry/caterers.html).

## Deductions Claimed for Transportation Charges

Transportation charges billed to the purchaser for shipment of taxable merchandise are generally not taxable if:

- The charges are separately stated;
- The transportation is made by facilities other than that of the retailers, such as U.S. mail, an independent contract, or common carrier;
- The merchandise is shipped directly to the purchaser; *and*
- The amount charged to the purchaser does not exceed the actual cost of the transportation to the retailer.

Some businesses charge more for shipping than their actual cost. The amount in excess of the actual cost of shipping must be included in your taxable sales. In other words, any handling charge, or markup applied to the actual cost of shipping is taxable. Supporting documents demonstrating the actual cost of transportation should be maintained in your records on a transaction-by-transaction basis.

Supporting documents include: (1) bills of lading; (2) freight invoices; (3) express receipts or express company invoices; (4) parcel post receipts or shipment records; (5) sales invoices showing transportation charges and shipping instructions; (6) delivery receipts and expense vouchers supporting your delivery expense; (7) correspondence stating requirement and completion of delivery; and (8) title transfer agreements.

For more information about how tax applies to shipping charges, you may download a copy of [publication 100](#), *Shipping and Delivery Charges*, or [Regulation 1628](#), *Transportation Charges*, from our website at [www.boe.ca.gov](http://www.boe.ca.gov), or contact our Customer Service Center at 1-800-400-7115 (TTY:711).

## Electronic Payment of Taxes—One Day Late?

If your electronic tax payment or prepayment is one business day late, you may be eligible to have the interest associated with the late payment reduced.

Interest is generally imposed on a monthly basis when a tax payment is late. Therefore, if payment is made one day late, interest is imposed for an entire month. However, BOE-sponsored legislation added Revenue and Taxation Code section 6591.6, which pro-



vides that, if the Board, meeting as a public body, finds that it is inequitable to compute interest on a monthly basis, interest will be computed on a daily basis from the date on which the tax or prepayment was due until the date of payment, provided all of the following conditions are met:

- The payment of the tax or prepayment was made electronically;
- The payment of the tax or prepayment was made one business day after the due date;
- The taxpayer was granted relief from all penalties that applied to that payment of tax or prepayment; *and*
- The person files a request for an oral hearing before the Board.

You may use [BOE-734](#), *Request for Oral Hearing Electronic Payments—One Day Late*, to request an oral hearing.

*Note:* This does not apply to payments made pursuant to deficiency determinations, determinations where no return has been filed, or jeopardy determinations.

## Know Your Rights

As a taxpayer, you have many rights under the law, including the right to:

- Information and assistance to help you comply with the law;
- Fair and courteous treatment, and prompt service;
- Confidentiality;
- Appeal a decision or claim a refund as allowed by law; *and*
- Address your elected Board Members.

Along with those rights, you have responsibilities to:

- Stay informed about tax laws and regulations that affect your business;
- Report and pay taxes and fees when due;
- Promptly respond when BOE attempts to contact you;
- Inform the BOE of changes to your business ownership or address; *and*
- Maintain adequate records.

For more information see [publication 70](#), *Understanding Your Rights as a California Taxpayer*. You may also call the Taxpayers' Rights Advocate Office toll-free at 1-888-324-2798 if you have questions about your rights, or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor).

## For More Information

All telephone numbers are toll-free.

### Internet

[www.boe.ca.gov](http://www.boe.ca.gov)  
[www.taxes.ca.gov](http://www.taxes.ca.gov)

### Customer Service Center

1-800-400-7115 (TTY:711)

### Requests for Fax Copies

1-800-400-7115  
(Choose automated services)

### Seller's Permit Verification

1-888-225-5263  
[www.boe.ca.gov](http://www.boe.ca.gov)

### Taxpayers' Rights Advocate

1-888-324-2798  
[www.boe.ca.gov](http://www.boe.ca.gov)

### Tax Evasion Hotline

1-888-334-3300

### State Legislation

[www.leginfo.ca.gov/bilinfo.html](http://www.leginfo.ca.gov/bilinfo.html)

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