

# NEWS RELEASE

**STATE BOARD  
OF EQUALIZATION**

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**FOR IMMEDIATE RELEASE**

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## **CHIANG URGES TAXPAYERS TO EXAMINE THEIR USE TAX LIABILITIES DURING FILING SEASON**

As we approach the end of the tax season, Chairman John Chiang of the State Board of Equalization (BOE) today urged taxpayers to look carefully at the use tax line on their state income tax returns.

Added only last year for the 2003 returns, the line allows Californians to report and pay their use tax liabilities on the same form and at the same time as their income tax.

“There’s a lot of confusion about ‘use tax;’ when it’s due, what it is, and who’s liable,” said Chairman Chiang. “I urge everyone to examine their purchase history and take care of any use tax liabilities during the April filing season.”

Use tax is the sales tax equivalent for online, mail order or other out-of-state purchases of tangible personal property intended for use in California. California use tax was implemented statewide in 1935, two years after sales tax laws went into effect.

Although California retailers and some out-of-state businesses collect California use tax and pay it to the state for the convenience of their customers, many out-of-state businesses do not. Therefore some online, mail order and out-of-state purchases are mistaken to be tax-free simply because tax isn’t collected at the time of purchase.

Reporting and paying use tax as an individual traditionally required filing with BOE, but the convenient use-tax reporting line on income tax returns now streamlines the process for California taxpayers.

Many Californians unknowingly acquire use tax liabilities:

- A Placer County resident who purchases and receives merchandise for \$60 dollars from an online retailer who does not collect tax at Placer County’s rate of 7.25% is liable for \$4.35 in use tax.
- Similarly, a consulting business in the City of Torrance that purchases and receives equipment for \$75,000 from an out-of-state retailer who does not collect tax at the City of Torrance’s rate of 8.25% is liable for \$6,187.50 in use tax.

Tax was not collected in either case, so the purchaser is liable for the use tax at the local rate where the item is first used. The purchaser can use the line on the California Income Tax return, or file a use tax return with the BOE to report and pay the tax. If the purchaser has a seller’s permit from the BOE, then it must report and pay its use tax liabilities on its sales and

use tax return.

To find the sales and use tax rate for your area, visit the BOE's website at [www.boe.ca.gov](http://www.boe.ca.gov) or call 800-400-7115.

Also see these BOE publications:

**California Use Tax;** <http://www.boe.ca.gov/pdf/pub79b.pdf>

**California City and County Sales and Use Tax Rates;** <http://www.boe.ca.gov/pdf/pub71.pdf>

Chairman John Chiang, of Los Angeles, was elected to his first term as Fourth District Member on the State Board of Equalization in 1998, and re-elected in 2002. He was named Chair of the Board in December 2004. He also presided as Chair in 2002.

The five-member Board of Equalization is a publicly elected tax board. The Board collects nearly \$42 billion annually in taxes and fees supporting state and local government services. It acts as the appellate body for franchise and personal income tax appeals, and also plays a significant role in the assessment and administration of property tax.

Other Board Members include Betty T. Yee of San Francisco, Acting Member, First District; Bill Leonard of Sacramento/Ontario, Second District; Claude Parrish of Long Beach, Third District; and State Controller Steve Westly.

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