

Instructions for Completing the BOE-401-GS, *Fuel Retailers Return*

You Can Easily File Your Return Online

Online filing of a return is a more efficient method of filing your sales and use tax return. It is much easier than filing a paper return. When you file your return online with the California State Board of Equalization (BOE), the system calculates tax due based on the sales and deduction information you enter. Online filing helps reduce errors by prompting you when items are missed. By ensuring the accuracy of your return you can avoid interest, overpayment, and penalties due to reporting incorrect information.

Once you have completed and transmitted your return to the BOE, the return is automatically posted to your account. By filing your return online you avoid additional cost for postage or having your return lost in the mail.

You can also file your return early and set a future date to make your payment as long as the payment is made prior to the due date of the return.

To file your return online, go to www.boe.ca.gov and select the “File a Return” tab.

Making Your Payment

There are three easy and convenient online payment options available.

ACH Debit Method

You can file and pay your return in one easy transaction. *This is the preferred method for making payment on a return.*

- Enter your banking information (bank account number and bank routing number).
- Select a payment date. Payments may be held for any banking day you select up to the tax due date.

Credit Card Payment

You can pay by credit card through a third-party vendor:

- American Express®, Discover Network®, MasterCard®, and Visa® cards are accepted. *A service fee of 2.3 percent of the transaction amount will be charged by the third-party vendor. This service fee is not paid to or retained by the BOE.*

You must return to the online filing system after making your credit card payment to complete your filing.

Paper Check

- Choose this option to print out a payment voucher to mail in with your check.
- Print the confirmation page and payment voucher. *This voucher is only available immediately after filing your return.*
- Mail in your check with the payment voucher.

General Information

These instructions are provided to assist you with completing your California sales and use tax return. If you need assistance, please call the BOE Customer Service Center toll-free at 1-800-400-7115 (TTY:711). Customer service representatives can help you with general questions weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

You must file a return even if you do not owe taxes for the reporting period. If you are unable to file your return on time, you may qualify for an extension. A request for an extension of time to file a tax return may be submitted online by selecting “Request a Filing Extension” from the “File a Return” drop-down menu on the BOE website at www.boe.ca.gov.

Payment Methods When Filing Paper Returns

- **Check or Money Order:** Make your check or money order payable to the California State Board of Equalization and always write your account number on the check or money order. Be sure to enclose your payment with your return.
- **Credit Card:** You can charge your tax return payment if you have an American Express®, Discover Network®, MasterCard®, or Visa® credit card. Other cards cannot be accepted.

To make credit card payments, visit the BOE website at www.boe.ca.gov, or call 1-855-292-8931. *The credit card processing vendor will charge a service fee of 2.3 percent of the amount charged. This service fee is not paid to or retained by the BOE.*

Note: Never send cash payments through the mail.

If you are required by the BOE to pay taxes by Electronic Funds Transfer (EFT), you must continue to use that method. Additional information is available on the BOE website at www.boe.ca.gov.

Lines 1 through 3—Page 1**Sales • Purchases Subject to Use Tax****Line 1. Total Sales (gross receipts)**

Enter your total taxable and nontaxable sales for the reporting period, including lease and rental receipts.

Report all sales (in any manner) related to California business. You will deduct nontaxable transactions in Sections A through E on pages 2 and 3.

Notes:

- Include all charges related to your sales, such as labor, service, and shipping and handling charges.
- If you sold any business assets, such as fixtures and equipment, during the reporting period you must report the sale. If you are filing your final return and reporting the sale of the business assets, see the last bullet under “Line 2. Purchases Subject to Use Tax.”
- Your “total sales” may include amounts for California sales or use taxes. If this is the case, be sure to deduct those tax amounts on line 9. If you do not, you will overpay tax.

Line 2. Purchases Subject to Use Tax

Enter your total purchases that are subject to use tax, as explained below.

Your purchases of merchandise, equipment, and other tangible personal property are subject to use tax and must be reported if you:

- Purchased the property from an out-of-state retailer who did not collect California use tax, or
- Purchased the property with a resale certificate or other exemption certificate, and
- Used the property in California for a purpose other than (1) resale or (2) demonstration, retention, or display while holding it for sale in the regular course of business.

You must also report your purchase of a vessel or aircraft if you (1) purchased it from an unlicensed retailer who did not charge tax on the transaction and (2) used the property for a purpose other than resale as described above.

Enter the amount you paid for the property.

Notes:

- If you paid another state’s sales or use tax on your purchase, do not include the tax payment as part of your purchase price. You may be eligible for a credit for the other state’s tax (see line 20).
- If you are reporting property purchased with a resale certificate, report the purchase price on the tax return for the reporting period during which you first used the property in California.
- If you are reporting property purchased from an out-of-state retailer who did not charge you for California tax, report the purchase price on the tax return for the reporting period during which you first used the property in California.
- If you are closing out your seller’s permit and have sold fixtures and equipment, you should report the sales price and identify the sale as “fixtures and equipment” on line 2 of your final sales and use tax return. You must also report any inventory you intend to retain for your own use or for use as a gift, that was purchased for resale without the payment of tax or tax reimbursement, on line 2 of your final sales and use tax return and identify it as “retained inventory.” Sales of inventory to another retailer or to the purchaser of your business are not taxable, but should be reported as “Sales for Resale” on line 4 of your return. A resale certificate should be obtained from the buyer and saved in your records. For more detailed information, see [publication 74](#), *Closing Out Your Account*.

Line 3.

Add lines 1 and 2. Enter the result on line 3.

Page 2**Full Deductions, Tax Recovery Adjustments/Deductions, and Partial State Tax Exemptions.**

The following transactions are not subject to tax and will be subtracted from the total on line 3. First you must complete the deductions on pages 2 and 3 of your return.

You cannot claim a deduction for a transaction unless it has been reported on line 1 or 2 of this return or a previous return. If you did not report the original sale, you cannot claim a deduction related to that sale, unless you are a “lender” registered with the BOE.

You must maintain records that support all claimed deductions.

Section A. Full Deductions—Page 2

Any transaction(s) under this section must be included on line 1, Total Gross Sales on page 1.

Line 4. Sales to Other Retailers for Purposes of Resale

Enter your total sales to other sellers who submitted resale certificates to you for their purchases.

In general, you can accept resale certificates from other sellers who are buying property to resell in the regular course of business. If you obtain a timely and valid resale certificate, taken in good faith, tax will not apply to your sale. See [BOE-230](#), *General Resale Certificate*.

To be valid, resale certificates must contain specific information. For more information, see [Regulation 1668](#), *Sales for Resale*.

You can verify the validity of seller's permits by calling the BOE's Seller's Permit Verification service at 1-888-225-5263 or by visiting the BOE website at www.boe.ca.gov.

Line 5. Nontaxable Sales of Food Products

Enter your nontaxable sales of food products sold for human consumption.

Whether food product sales are taxable depends on many conditions, including who makes the sale, where the sale occurs, who the customer is, and what is sold. For example, the following sales are generally taxable and should not be deducted:

- Sales of alcoholic and carbonated beverages
- Sales of hot prepared food products
- Sales of meals or food sold for consumption at your place of business or sold for consumption in a place where admission is charged

For more information on food sales, see [Regulation 1602](#), *Food Products*, or [Regulation 1603](#), *Taxable Sales of Food Products*. Vending machine operators should see [Regulation 1574](#), *Vending Machine Operators*.

Line 6. Nontaxable Labor

Enter labor charges for installing premanufactured property or for repairing or reconditioning property to restore it to its original use.

Note: Labor charges for making or fabricating a new product (such as labor charges for making a ring or furniture), or for assembling a product, are generally taxable and should not be deducted. Tax applies even if your customer provides the property that you fabricate. ([Regulation 1546](#), *Installing, Repairing, Reconditioning in General*, and [publication 108](#), *Labor Charges*.)

Line 7. Sales to the United States Government

Enter sales made to:

- The United States government or its unincorporated agencies and instrumentalities, such as the following federal departments: Treasury, Interior, Agriculture, or Defense
- Any incorporated agency or instrumentality of the United States wholly owned by either the United States or by a corporation wholly owned by the United States
- The American Red Cross, its chapters and branches
- Federal reserve banks, federal credit unions, federal land banks, and federal home loan banks

Note: Sales made to the State of California or to cities and counties and local governments in the state are generally taxable and should not be deducted. They are treated like any other sale. ([Regulation 1614](#), *Sales to the United States and Its Instrumentalities*, or [publication 102](#), *Sales to the U.S. Government*.)

Line 8. Sales in Interstate or Foreign Commerce

Enter sales that are exempt from tax as interstate or foreign commerce (sales involving shipments or deliveries from California to points outside this state).

For a sale to be exempt, the sales agreement or contract must require the property to be shipped to an out-of-state point, and you must either:

- Use your company vehicle (or other conveyance operated by your business) to ship the property to that location, or
- Deliver the property to a carrier, customs broker, or forwarding agent for shipment outside this state. ([Regulation 1620](#), *Interstate and Foreign Commerce* or [publication 101](#), *Sales Delivered Outside California*.)

Line 9. Sales Tax

Enter an amount on this line only if the amount you reported on line 1 includes California sales or use taxes. Enter only the tax amounts that are included on line 1. ([Regulation 1700](#), *Reimbursement for Sales Tax*.)

Line 10. Other Deductions

Each deduction must be clearly explained.

You may be entitled to claim other deductions in addition to those allowed on lines 4 through 9. Enter the amount for those deductions here.

Examples of transactions that may be deductible include the following:

- Sales of Medical Marijuana. The sales and use tax exemption would only apply to retail sales on or after November 9, 2016, of medical cannabis, medical cannabis concentrate, edible medical cannabis products, or topical cannabis as those terms are defined in the Business and Professions Code section 19300.5. To obtain the exemption, qualified patients or their primary caregiver would need to provide their valid *Medical Marijuana Identification Card* issued by the California Department of Public Health, under section 11362.71 of the Health and Safety Code, and a valid government issued identification card at the time of purchase.
- Sales by pharmacists of prescription medicines for use by humans. ([Regulation 1591](#), *Medicines and Medical Devices*.)
- Transportation charges for delivering goods to a purchaser by an independent carrier (the transportation charges must be separately stated on the invoice). If you charge more for delivery than your actual costs, the added amount is subject to tax and cannot be deducted. ([Regulation 1628](#), *Transportation Charges*, or [publication 100](#), *Shipping and Delivery Charges*.)
- Sales of animals, seeds, plants and fertilizer, used as, or used to produce, food for human consumption. ([Regulation 1587](#), *Animal Life and Feed*, and [Regulation 1588](#), *Seeds, Plants and Fertilizers*.)

For more information, request a copy of [publication 61](#), *Sales and Use Taxes: Exemptions and Exclusions*.

Section B. Tax Recovery Deductions/Adjustments

If you have tax recovery deductions prior to January 1, 2013, [click here](#).

Line 1. Bad Debt Losses—On Taxable Sales

Enter bad debt losses, as described below.

If you have reported a taxable sale and have been unable to collect payment for the sale, you may take a deduction for the taxable sales portion of the bad debt.

Bad debts may take the form of:

- Checks that have been returned to you unpaid by the purchaser's bank and which you have determined to be uncollectible, or
- Amounts from charge or credit sales that you have determined to be uncollectible.

The bad debts must be charged off for income tax purposes or, if you are not required to file income tax returns, the bad debts must be charged off in accordance with generally accepted accounting principles.

Enter only the amount of the sale before tax. For example, if you sold merchandise for \$15 plus sales tax and were unable to collect any amount for the sale, you would claim \$15 as a deduction.

If you claim a bad debt deduction and later recover a payment, you must report the payment on the tax return filed for the period in which the recovery payment was made.

If any of the tax recovery deductions in Section B were related to sales of Motor Vehicle Fuel (MVF), please contact the BOE Customer Service Center at 1-800-400-7115 (TTY:711) from 8:00 a.m. to 5:00 p.m. (Pacific time), Monday through Friday, except state holidays. ([Regulation 1642](#), *Bad Debts*.)

Line 2. Bad Debt Losses—Incurred in Connection with Accounts Held by Lenders

If you are registered with the BOE as a Lender, you may be entitled to deduct certain bad debt losses. There are requirements to qualify for this deduction. For detailed information, please see [Regulation 1642](#), *Bad Debts*.

Line 3. Cost of Tax-Paid Purchases Resold Prior to Use

You may claim a deduction on this line if you:

- Paid California sales or use tax when purchasing goods or merchandise and
- Sold the property without first using it (other than retaining, demonstrating, or displaying it while holding it for sale in the regular course of business).

Enter only the amount of the purchase price before tax. For example, if the property was sold to you for \$15 plus tax, you would claim only \$15 as a deduction. ([Regulation 1701](#), *Tax-Paid Purchases Resold*.)

Claiming Cost of Tax-Paid Purchase Resold Prior to Use for Motor Vehicle Fuel and Diesel.

- If you paid California Sales or Use Tax on Motor Vehicle Fuel and you need to claim a tax recovery deduction (i.e. Cost of Tax-Paid Purchases Resold Prior to Use), please see the *Special Instructions for Tax Recovery Deductions in Section B* on page 9. For additional information please visit the BOE [Industry Topics](#) page under *Tax Guide for Motor Vehicle Dealers*.

If you paid California sales or use tax on Diesel and you need to claim a tax recovery deduction (i.e. Cost of Tax-Paid Purchases Resold Prior to Use) in Section B for fully taxable diesel sales or purchases, you must also reduce your line 15 Additional State Tax on Diesel Sales by the same amount. For additional information please visit the BOE [Industry Topics](#) page under *Tax Guide for Motor Vehicle Dealers*.

Line 4. Returned Taxable Merchandise

Enter amounts you credited or refunded to customers for returned taxable merchandise, as described below. You can take this deduction only if:

- You returned or credited to your customer the full sales price, including sales tax charges, and
- The customer, in order to obtain the refund or credit, is not required to purchase other property at a price greater than the amount charged for the property returned.

Claim only the amount of the sale before tax. For example, if the returned merchandise had been sold for \$15 plus sales tax, you would claim only \$15 as a deduction. ([Regulation 1655](#), *Returns, Defects and Replacements*.)

Line 5. Cash Discounts on Taxable Sales

If you gave a cash discount to a customer on a taxable sale, enter the amount of the discount here.

You can claim a deduction on this line only if you reported the full (undiscounted) selling price on line 1. Do not use this line if you reported the discounted selling price on line 1 of this return or a previous return. In addition, you must ensure that you do not collect from your customer more tax than the amount due on the discounted price. If you collect more than the amount due on the discounted price, you cannot claim this deduction. ([Regulation 1671](#), *Trading Stamps and Related Promotional Plans*, and [Regulation 1700](#), *Reimbursement for Sales Tax*.)

Section C. Lines 1 through 3: Partial Exemptions

The following transactions are exempt from the state portion of the total sales and use tax rate. They remain subject to 2.25 percent of the total sales and use tax rate, representing local, city, and county taxes. They are also subject to any applicable district taxes. **If the partial exemption was taken prior to January 1, 2016**, [click here](#).

Exemption Certificate Requirements

Retailers who wish to claim a partial exemption must obtain from purchasers a timely, valid exemption certificate as described in [Regulation 1667](#), *Exemption Certificates*. The BOE has designed a specific certificate for this purpose, entitled, "Certificate of Partial Exemption." The certificate is available on the BOE website at www.boe.ca.gov or by calling the BOE Customer Service Center at 1-800-400-7115 (TTY:711) from 8:00 a.m. to 5:00 p.m. (Pacific time), Monday through Friday, except state holidays, for a copy. Retailers must retain the completed certificate for a period of not less than four years.

Line 1. Farm Equipment

For a description of exempt farm equipment and who is eligible to claim this exemption see [publication 66](#), *Agricultural Industry*, and [Regulation 1533.1](#), *Farm Equipment and Machinery*.

Complete this line to claim a partial exemption for the sale, storage, use or other consumption of qualified farm equipment, machinery and their parts as described below. It also applies to qualified lease payments for farm equipment and machinery rentals payable on or after September 1, 2001.

Who can claim a partial exemption?

You can claim this partial exemption if you are a person engaged in an agricultural business described in Codes 0111 to 0291 of the Standard Industrial Classification (SIC) Manual or are a person that assists such classified person by performing an agricultural service described in Codes 0711 to 0783 of the SIC manual.

What type of equipment is eligible?

- “Implements of husbandry,” as defined in Revenue and Taxation Code section 411. Such property generally includes any tool, machinery, equipment, appliance, device or apparatus. The farm equipment, machinery, and parts must be used primarily in producing and harvesting agricultural products. “Primarily” means 50 percent or more of the time.
- Property as defined in Chapter 1, Division 16 of the Vehicle Code used exclusively in agricultural operations. Such property under certain conditions includes lift carriers, tip-bed type trailers, trailers/semi-trailers having no bed, spray or fertilizer applicator rigs, nurse rigs or equipment auxiliaries, row dusters, trap wagons, fertilizer nurse tanks or trailers, cotton trailers, truck tractors and truck tractor/semi-trailer combinations. Vehicles primarily designed for the transportation of persons or property on a highway are generally not considered implements of husbandry and, therefore, do not qualify for this partial exemption.

Line 2. Diesel Fuel Used in Farming and Food Processing

For additional information for this exemption refer to [publication 66, *Agricultural Industry*](#), and [Regulation 1533.2, *Diesel Fuel Used In Farming Activities or Food Processing*](#).

Complete this line to claim a partial tax exemption for the sale, storage, use, or other consumption of diesel fuel used in farming or food processing activities.

The diesel fuel must be consumed during the activities of a farming business as set forth in Internal Revenue Code (IRC) 263A or food processing. A farming business is a business that grows crops, fruit- or nut-bearing trees, sod, or nursery plants. Farming activities also include transporting these crops, fruit- or nut-bearing trees, sod, or nursery plants to the marketplace.

Line 3. Timber Harvesting Equipment and Machinery

For additional information for this exemption refer to [Regulation 1534, *Timber Harvesting Equipment and Machinery*](#).

Complete this line to claim a partial exemption of the sales and use tax for the sale, use, or other consumption of timber harvesting equipment, machinery, and their parts. Such equipment and machinery must be designed for use 50 percent or more of the time off-road in commercial timber harvesting and be used 50 percent or more of the time in timber harvesting. A qualified person is a person who is engaged in commercial timber harvesting. Commercial timber harvesting involves the cutting or removal, or both, of timber and other solid wood forest products from timberlands for commercial purposes. The partial exemption also applies to a qualified person’s lease payments for qualified commercial timber harvesting equipment and machinery rentals payable on or after September 1, 2001.

Timber is considered to be trees of any species, excluding nursery stock, harvested for forest products. Some examples of these products include firewood, Christmas trees, biomass, poles and pilings.

Typical off-road commercial harvesting equipment and machinery and their general use, that may be eligible for this partial exemption include:

- Tractors or rubber tired skidders—move the logs from the woods to the logging trucks
- Front end loaders—load logs onto trucks
- Feller-bunchers—cut very small trees
- Cable Yarders—harvest trees on very steep slopes by suspending the logs on a cable
- Chippers—chip small logs and brush into very small pieces
- Chainsaws—used to cut down trees

Section D. Partial State Tax Exemption on Motor Vehicle Fuel (MVF)

Effective July 1, 2010, sales of MVF are partially exempt from tax. Since the exemption for the sale of MVF is only a partial exemption, a portion of the state sales tax, the local and district taxes still apply. Sellers of MVF must complete this section on the 401-GS return form.

Note for Tax Recovery Deductions on Sales of MVF

No adjustment is required if you have tax recovery deductions where the MVF was sold prior to 7-1-10 at the full tax rate. Claiming a tax recovery deduction in Section B. Tax Recovery Adjustment/Deduction provides a full state tax exemption.

If you need to claim a partial exemption for Motor Vehicle Fuel (MVF) prior to 1-1-16, please contact the BOE Customer Service Center at 1-800-400-7115 (TTY:711) from 8:00 a.m. to 5:00 p.m. (Pacific time), Monday through Friday, except state holidays.

To make an adjustment for tax recoveries on partially exempt MVF sales where the original transaction occurred after January 1, 2017, enter the amount in Column B. Column B will provide adjustment for the Partial State Tax Exemption on MVF at the current exemption rate. **The amount entered must not include sales tax.**

If you need assistance in reporting your tax recoveries on MVF sales, please call the BOE Customer Service Center at 1-800-400-7115 (TTY:711) from 8:00 a.m. to 5:00 p.m. (Pacific time), Monday through Friday, except state holidays.

Section E. Partial State Tax Exemption on Manufacturing and Research and Development Equipment

Refer to Regulation [1525.4](#), *Manufacturing and Research & Development Equipment*, or see the BOE Manufacturing Exemption tax guide located at www.boe.ca.gov/sutax/manufacturing_exemptions.htm.

This transaction is partially exempt from the total sales and use tax rate. It remains subject to 3.3125 percent of the total sales and use tax rate, plus any applicable district taxes.

Complete this line to claim a partial state tax exemption for the sale, storage, use, or other consumption of qualified manufacturing and research and development equipment, as described below.

To be eligible under this law, the purchaser must meet all three of these conditions:

- Be engaged in certain types of business, also known as a “qualified person”
- Purchase “qualified property”
- Use that qualified property for the uses allowed by this law

Line 11. Page 3—Total Nontaxable Transactions

Line 11, page 3 is your total for Sections A, B, C, D, and E. Add the total from each section and enter on line 11 on page 3. Also enter the total from line 11 on page 1 of your return.

Lines 11 through 26—Page 1

Line 11.

This is your total nontaxable transaction(s) carried over from line 11 on page 3 of your return. This amount will be subtracted from the total of your gross sales and purchases to arrive at the amount on which tax is calculated.

Line 12. Transactions Subject to State Tax

Subtract line 11 from line 3. Enter the result on line 12.

Line 13(a). State Tax

Multiply line 12 by .0600. For a breakdown of the state tax rate see “Detailed Description of the Sales and Use Tax Rate” located on the BOE website.

Line 13(b). Tax Recovery Adjustment

Enter the amount from Section B, box 13(b) on page 2.

This adjustment is used to account for a change in the state tax rate. Only use this line if you are reporting transaction(s) that occurred at more than one tax rate in Section B on page 2.

Line 14(a). Transactions Subject to County Tax

Enter the amount from line 12.

Note: If you are claiming Partial Exemptions, you must add box 61 (Section C, page 2), box 71 (Section D, page 2), box 73 (Section E, page 3), and line 12 (page 1). Enter the result on line 14(a).

Line 14(b). County Tax 1/4 percent

Multiply line 14(a) by 0.0025. Enter the result on line 14(b).

Line 15. Additional State Tax on Diesel Sales

Enter your total taxable diesel fuel transactions for the period in the box labeled “Diesel Sales.” The amount entered in the “diesel sales” box is not a tax included amount. If you enter a tax included amount you will end up paying more than you actually owe.

Multiply the amount entered in the box labeled “Diesel Sales” by 1.75% (.0175). Enter the result on line 15.

If Claiming a Tax Recovery deduction in Section B for fully taxable diesel sales or purchases, you must also reduce your line 15 “Additional State Tax on Diesel Sales” by the same amount.

Line 16. Transactions Subject to Local Tax

The amount on line 16 will be the same as line 14(a) of the return.

Line 17. Local Tax 1 Percent

Multiply line 16 by 0.01. Enter the result on line 17.

Line 18. District Sales and Use Tax

If your transaction(s) occur in more than one taxing jurisdiction (higher than the current state tax rate), you must complete [BOE-531-A1, Schedule A1, Computation Schedule for District Tax—Short Form](#), or the [BOE-531-A2, Computation Schedule for District Tax—Long Form](#). Instructions for the schedules are included with each form.

Line 19. Total State, County, Local and District Tax

Line 19 represents the total tax liability for this reporting period.

Add lines 13(a), 14(b), 15, 17, 18 and then subtract 13(b). Enter the result on line 19.

Line 20. Sales Tax Prepaid to Fuel Supplier

Note: FUEL SELLERS—Please complete the Schedule G, *Fuel Seller’s Supplement to Return*, included with your sales and use tax return (BOE-401-GS). The amount entered on line G-5 of the schedule should also be entered on line 20 of the return.

Line 21. Net Tax

Subtract line 20 from line 19. Enter the result on line 21.

Line 22. Tax Prepayments

Complete this line if you made any tax prepayments. (Businesses with average monthly taxable transactions of \$17,000 or more must make prepayments, once notified by the BOE.)

Enter the prepayment amounts in the proper spaces. This credit is limited to the amounts of tax prepaid and should not include penalties or interest charges reported with your prepayments.

Note: FUEL SELLERS—If you sell fuel and pay sales tax to your fuel supplier, do not use this line to claim a credit for those tax payments. Credit can be claimed on Schedule G, *Fuel Seller’s Supplement to Return*.

Line 23. Remaining Tax

Subtract line 22 from line 21. Enter the result on line 23.

Line 24. Penalty

If your tax payment is made, or your tax return is filed, after the due date shown at the top of the return, you must pay a 10 percent penalty. Multiply line 23 by 0.10 and enter the result on line 24.

Returns and payments must be postmarked or received by the due date of the return to be considered timely. If the due date falls on a Saturday, Sunday, or state holiday, returns postmarked or received by the next business day will be considered timely.

Businesses required to pay sales and use taxes by electronic funds transfer (EFT) may also be subject to a 10 percent penalty for failure to pay by EFT (payment made by check, for example). However, a 10 percent maximum penalty applies to returns and return payments after January 1, 1997.

Line 25. Interest

If your payment is late (see line 24 instructions for an explanation of due dates), you must pay interest charges in addition to penalty charges.

You owe one month’s interest for each month or portion of a month the payment is overdue. For example, if your payment is one month and two weeks overdue, you owe two months’ interest.

Using the interest rate printed on line 25 of your return, multiply the rate times the total tax owed. Enter the result on line 25.

Reminder: If you owe two or more months’ interest, as described above, you must multiply the amount due by the number of months overdue.

Line 26. Total Amount Due and Payable

Add lines 23, 24, and 25. Enter the result on line 26. See page 1 for acceptable payment methods.

Special Instructions for Tax Recovery Deductions in Section B**Tax Recovery Deductions for Sales Originally Reported on or after January 1, 2013 (Section B)**

Due to the 1/4% decrease in the state tax rate, you must report your tax recovery transaction(s) where the original transactions occurred from January 1, 2013, through December 31, 2016, separately from those where your original transaction(s) occurred on or after January 1, 2017.

- Transactions that occurred from January 1, 2013, through December 31, 2016, should be entered in Column A.
- Transactions on or after January 1, 2017, should be entered in Column B.
- Add the amounts in Column A and Column B, and enter the result in Column C.

Be sure to enter your transaction(s) in the appropriate columns for the period in which the transaction(s) occurred to ensure your credit is taken at the appropriate rate.

Tax Recovery Deductions for Sales Originally Reported as Eligible for a Partial State Tax Exemption (Sections B and C)

In addition to adjusting for sales reported on or after January 1, 2017, if any tax recovery transactions are related to sales that were eligible for a partial state tax exemption, an additional adjustment may be required as explained below in the Special Instructions for Partial Exemptions in Section C.

Special Instructions for Partial State Exemptions in Section C**Tax Recoveries on Sales Claimed as Eligible for a Partial State Tax Exemption in Section C**

In order to recover only the partial state tax rate originally paid, you must make an adjustment in the appropriate column of Section C, if any tax recovery deductions were claimed in Section B where the original transaction was eligible for one of the partial state tax exemptions listed in Section C.

If no adjustment is made, tax will be recovered at the full state tax rate and your return will be underpaid.

COLUMN A—Transactions from January 1, 2016, to December 31, 2016

Column A of Section C should only be used to report adjustments to tax recoveries on sales originally claimed as eligible for partial state tax exemption between January 1, 2016 and December 31, 2016.

- To make an adjustment for tax recoveries on partially exempt sales where the original transaction occurred between January 1, 2016, and December 31, 2016, enter a negative entry in Column A for the appropriate exemption.

COLUMN B—Transactions on or After January 1, 2017

Column B of Section C should only be used to report adjustments to tax recoveries on sales originally claimed as eligible for partial state tax exemption on or after January 1, 2017.

- If you do not have any current period partial exemptions, you will need to make a negative entry for the amount of tax recoveries related to sales originally reported as partially exempt.
- If you have current partial exemptions to report, subtract those tax recoveries from your current partial exemptions and enter the net amount.

Claiming a tax recovery deduction in Section B provides a full state tax exemption, while making any necessary adjustments in Section C will reverse the original partial exemption by reducing your tax recovery to the partial state tax amount originally paid and ensuring your credit is taken at the appropriate rate.

Please note: If you had any sales that occurred prior to January 1, 2017, that were not originally reported in the period that the sale occurred, you will need to file a corrected return covering the period in which the sale(s) occurred.

Tax Recovery Deductions for Partially Exempt Sales prior to January 1, 2016

If you have tax recovery transactions (such as bad debts) to report, where the original sales were partially exempt and occurred prior to January 1, 2016, you cannot use Section C on page 2 to report those tax recoveries.

To report bad debts where the original transactions occurred prior to January 1, 2016, call the BOE Customer Service Center at 1-800-400-7115 (TTY:711) from 8:00 a.m. to 5:00 p.m. (Pacific time), Monday through Friday, except state holidays, for assistance in preparing your return.

Special Instructions for Partial State Exemptions in Section D**Tax Recoveries on Sales Claimed as Eligible for a Partial State Tax Exemption in Section D**

In order to recover only the partial state tax rate originally paid, you must make an adjustment in the appropriate Column of Section D, if any tax recovery deductions were claimed in Section B where the original transaction was eligible for the partial state tax exemption listed in Section D.

If no adjustment is made, tax will be recovered at the full state tax rate and your return will be underpaid.

COLUMN A—Transactions from January 1, 2016, to December 31, 2016

Column A of Section D should only be used to report adjustments to tax recoveries on sales originally claimed as eligible for partial state tax exemption between January 1, 2016, and December 31, 2016.

- To make an adjustment for tax recoveries on partially exempt sales where the original transaction occurred between January 1, 2016, and December 31, 2016, enter a negative entry in Column A for the appropriate exemption.

COLUMN B—Transactions on or After January 1, 2017

Column B of Section D should only be used to report adjustments to tax recoveries on sales originally claimed as eligible for partial state tax exemption on or after January 1, 2017.

- If you do not have any current period partial exemptions, you will need to make a negative entry for the amount of tax recoveries related to sales originally reported as partially exempt.
- If you have current partial exemptions to report, subtract those tax recoveries from your current partial exemptions and enter the net amount.

Claiming a tax recovery deduction in Section B provides a full state tax exemption, while making any necessary adjustments in Section D will reverse the original partial exemption by reducing your tax recovery to the partial state tax amount originally paid and ensuring your credit is taken at the appropriate rate.

Please note: If you had any sales that occurred prior to January 1, 2017, that were not originally reported in the period that the sale occurred, you will need to file a corrected return covering the period in which the sale(s) occurred.

Tax Recovery Deductions for Partially Exempt Sales prior to January 1, 2016

If you have tax recovery transactions (such as bad debts) to report, where the original sales were partially exempt and occurred prior to January 1, 2016, you cannot use Section D on page 2 to report those tax recoveries.

To report bad debts where the original transactions occurred prior to January 1, 2016, call the BOE Customer Service Center at 1-800-400-7115 (TTY:711) from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

Special Instructions for Partial State Tax Exemptions for Manufacturing and Research and Development in Section E**Tax Recoveries on Sales Claimed as Eligible for Partial State Tax Exemptions for Manufacturing and Research and Development Equipment in Section E**

If any tax recovery deductions were claimed in Section B where the original transaction was eligible for the partial state tax exemption in Section E, you must make an adjustment in Box 72 to recover only the partial state tax rate originally paid.

Please note: This deduction can only be taken for transactions that occurred on or after 7-1-2014. If you have any questions, you may contact the BOE Customer Service Center at 1-800-400-7115 (TTY:711) from 8:00 a.m. to 5:00 p.m. (Pacific time), Monday through Friday, except state holidays, for assistance in preparing your return.

If no adjustment is made, tax will be recovered at the full state tax rate and your return will be underpaid.

COLUMN A—Transactions from January 1, 2016, to December 31, 2016

- To make an adjustment for tax recoveries on partially exempt sales for manufacturing equipment, where the original transaction occurred between January 1, 2016, and December 31, 2016, enter a negative entry in Column A for the appropriate exemption.

COLUMN B—Transactions on or After January 1, 2017

- If you do not have any current period partial exemptions, you will need to make a negative entry for the amount of tax recoveries related to sales originally reported as partially exempt.
- If you have current partial exemptions to report, subtract those tax recoveries from your current partial exemptions and enter the net amount.

Claiming a tax recovery deduction in Section B provides a full state tax exemption, while making any necessary adjustments in Section E will reverse the original partial exemption by reducing your tax recovery to the partial state tax amount originally paid and ensuring your credit is taken at the appropriate rate.

EXAMPLE—Preparing your 4th Quarter 2016 Sales and Use Tax Return

- During the 4th quarter 2016 reporting period, a customer returned a \$5,000 piece of equipment that was originally sold and reported in the 3rd quarter of 2016 as partially exempt Manufacturing Equipment.
- You also had \$7,500 in returned merchandise originally sold during the 3rd quarter that was fully taxable.
- You had no other Manufacturing Equipment sales to report during the 4th quarter.
- Your total returned taxable sales during the 4th quarter 2016 reporting period is \$12,500 (\$5,000 + \$7,500).

Step 1—Complete Section B

Report the \$12,500 in the appropriate box for Returned Taxable Merchandise in Section B.

SECTION B. Tax Recovery Deductions/Adjustments	COLUMN A TRANSACTIONS FROM 1-1-13 TO 12-31-16	COLUMN B ALL TRANSACTIONS ON OR AFTER 1-1-17	COLUMN C TOTAL OF COLUMNS A AND B
1 BAD DEBT LOSSES ON TAXABLE SALES	\$	\$ 56	\$
2 BAD DEBT LENDER LOSSES		62	
3 COST OF TAX-PAID PURCHASES RESOLD PRIOR TO USE		57	
4 RETURNED TAXABLE MERCHANDISE	\$ 12,500	58	\$ 12,500
5 CASH DISCOUNTS ON TAXABLE SALES		59	
TOTAL TAX RECOVERY DEDUCTIONS/ADJUSTMENTS <i>(add lines 1 through 5)</i>	Box B1 \$ 12,500	\$	\$ 12,500 <
TAX RECOVERY ADJUSTMENT <i>(multiply Box B1 x .0025, then enter here and on page 1, line 13b)</i>	Box 13b \$ 31		

Step 2—Complete Section E

Subtract the \$5,000 returned taxable Manufacturing Equipment sales from any 4th quarter 2016 Manufacturing Equipment sales and report the exemption in Column A of Section E. **REMINDER: If your tax recovery adjustments from partially exempt sales are greater than your current period sales, the result will be a negative figure (\$0 - \$5,000 = -\$5,000).** Remember, you had \$0 Manufacturing Equipment sales during the current period. Multiply the state tax exemption factor by the Total Adjusted Manufacturing Partial Exemptions.

SECTION E. Partial State Tax Exemption for Manufacturing and Research and Development Equipment	COLUMN A TRANSACTIONS FROM 1-1-16 TO 12-31-16	COLUMN B ALL TRANSACTIONS ON OR AFTER 1-1-17	COLUMN C TOTAL OF COLUMNS A AND B
SALES MADE SUBJECT TO THE MANUFACTURING AND RESEARCH AND DEVELOPMENT EQUIPMENT EXEMPTION	\$ -5,000	72	\$ -5,000
STATE TAX EXEMPTION FACTOR <i>(multiply total Manufacturing and Research and Development Equipment transactions in box 72 by the State Tax Exemption Factor and enter amount in box 73)</i>	.6979	.6563	
TOTAL ADJUSTED MANUFACTURING AND RESEARCH AND DEVELOPMENT EQUIPMENT PARTIAL EXEMPTIONS	\$ -3,490	73	\$ -3,490 <

Step 3—Compute Line 11

Add the totals of Sections A, B, C, D, and E.

11 TOTAL NONTAXABLE TRANSACTIONS <i>(add amounts for Sections A, B, C, D, and E as referenced by the "<", then enter here and on page 1, line 11)</i>	\$ 9,010
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