

California Use Tax Basics

California's sales tax generally applies to the *sale* of merchandise, including vehicles, in the state. The state's *use tax* applies to the *use, storage, or other consumption* of those same kinds of items in California. While use tax was originally put in place to protect California merchants from unfair out-of-state competition, it also applies to certain purchases made within the state.

When does use tax apply?

Use tax generally applies when you buy merchandise that will be *used, stored, consumed, or given away* in this state, under certain circumstances.

Use tax is based on an item's purchase price and generally applies to:

- California consumer or retailer purchases from out-of-state vendors (including foreign merchants) who do not collect California tax on their sales (see *Please Note*, below) unless the purchase is otherwise subject to an exemption or exclusion.
- Retailer's use of items purchased under a resale certificate, including: withdrawing items from inventory for personal or business use, using an item before sale, or using an item in manufacturing unless it becomes a physical part of the final product sold. Demonstrating or displaying an item is generally not a taxable use provided the item remains for sale.
- Purchases of vehicles, vessels, mobile homes, and aircraft from sellers who do not hold seller's permits. For more information, please order one of our related publications (see reverse), call our Taxpayer Information Section or our Consumer Use Tax Section at 916-445-9524.

Please Note: Special use tax rules apply to purchases by insurance companies and to the use of heavy trucks and trailers.

Exemption for items purchased in a foreign country

The first \$800 of tangible personal property that is *both purchased from a retailer in a foreign country by an individual and personally hand-carried into this state from the foreign country within any 30-day period* is exempt from use tax. This exemption does not apply to property sent or shipped to this state.

Who is responsible for paying the use tax, and when is it due?

Generally when you buy an item that is used, stored, consumed, or given away in California you owe use tax. In some cases, sellers must collect use tax from their customers and pay it to the Board of Equalization (BOE) (see reverse). If you are not required to hold a seller's permit, your payment is generally due on or before the date your personal income tax return for the year in which the item is used, stored or consumed is due to the Franchise Tax Board. If you hold a seller's permit or consumer use tax account, your due date is the due date of your return.

Sales and Use TAX FACTS

Publication 110 • LDA

For additional information you may download regulations, forms and publications from our website or you may call our Taxpayer Information Section to talk to a Board of Equalization representative.

BOE website and Board Member contact information:

www.boe.ca.gov

Taxpayer Information Section
800-400-7115
TDD/TTY 800-735-2929

Taxpayers' Rights Advocate
888-324-2798



BOARD OF EQUALIZATION MEMBERS

RAMON J. HIRSIG
Executive Director

BETTY T. YEE
First District
San Francisco

BILL LEONARD
Second District
Ontario/Sacramento

MICHELLE STEEL
Third District
Rolling Hills Estates

JUDY CHU, Ph.D.
Fourth District
Los Angeles

JOHN CHIANG
State Controller

What tax rate applies?

Please see publication 71, *California City and County Sales and Use Tax Rates*, and publication 44, *District Taxes*. Special use tax rules for railcars, heavy trucks, and similar equipment are also found in publication 44.

Guidelines

These general guidelines do not address exemptions or exclusions that may apply in specific situations.

Use Tax — When does it apply? How do you pay it?

<i>Type of Taxable Transaction or Circumstance of Use, Storage, or Consumption</i>	<i>Reporting the Sale or Purchase and Paying the Use Tax Due</i>
<i>If you are a California business with a seller's permit</i>	
Taxable lease	<i>If you are the lessor:</i> Collect use tax from purchaser; report lease payments in “total sales” on sales and use tax return; pay tax with return. <i>If you are the lessee:</i> pay tax to the lessor. <i>Note:</i> you may owe the tax if the lessor doesn’t collect it.
Taxable use, storage, or consumption of an item in California purchased without the payment of California tax (see reverse, “When does use tax apply?”)	Report purchase on return as “purchase subject to use tax” and pay tax. You may be able to take a credit if you paid another state’s sales or use tax (see return instructions).
<i>If you are a seller located in another state</i>	
Taxable sale to California customer, if you are engaged in business in California (have location or representative in California or otherwise have nexus within California).	You <i>must</i> register, collect use tax from customers, and pay the tax to the BOE with your tax return (see Regulation 1684, <i>Collection of Use Tax by Retailers</i>).
Taxable sale to California customer if you are <i>not</i> engaged in business in California.	You <i>may</i> voluntarily register to collect and pay use tax. If you do not, your customer must pay it to us.
<i>If you are a California resident who is not required to hold a seller's permit</i>	
Purchase of merchandise, the sale of which is otherwise subject to tax from an out-of-state retailer (including foreign merchant) who does not collect California sales or use tax.	Report the purchase on your California income tax return or on the form in publication 79-B, <i>California Use Tax</i> . You may be able to take a credit if you paid another state’s sales or use tax. If you make recurring taxable purchases, you may wish to obtain a Consumer Use Tax Permit.
Purchase from private party of vehicle, undocumented vessel (registered with DMV), documented vessel (registered with US Coast Guard), aircraft, or mobile home.	Pay tax to DMV (vehicles, undocumented vessels); to the BOE (documented vessels, aircraft); to a registered broker (documented vessels, aircraft); or to state Department of Housing and Community Development (mobilehomes).
<p>Related resources</p> <p>Publications</p> <ul style="list-style-type: none"> 44 Tax Tips for District Taxes 46 Tax Tips for Leasing of Tangible Personal Property in California 52 Vehicles and Vessels: How to Request a Use Tax Clearance for DMV Registration 61 Sales and Use Taxes: Exemptions and Exclusions 79 Documented Vessels and California Tax 79A Aircraft and California Tax 123 California Businesses: How to Identify California Use Tax Due 	<ul style="list-style-type: none"> 79B California Use Tax 105 District Taxes and Delivered Sales 112 Purchases from Out-of-State Vendors <p>Regulations</p> <ul style="list-style-type: none"> 1684 Collection of Use Tax by Retailers 1685 Payment of Tax by Purchasers 1686 Receipts for Tax Paid to Retailers 1823 Application of Transactions (Sales) Tax and Use Tax 1827 Collection of Use Tax by Retailers (<i>district taxes</i>)

Note: This publication summarizes the law and applicable regulations in effect when the publication was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this publication and the law, decisions will be based on the law and not on this publication.