

Purchases from Out-of-State Vendors

If you are a California resident or business and you purchase merchandise from a vendor located in another state, you may owe California *use tax* on your purchase. Use tax is intended to protect California merchants who otherwise would be at a competitive disadvantage when out-of-state sellers make sales to California customers without charging tax. The use tax rate in a California location is the same as the sales tax rate.

This fact sheet describes the basic California use tax rules that apply to purchases from out-of-state businesses. For information on purchases of vehicles, boats, and aircraft from private parties, please contact our Consumer Use Tax Section at 916-445-9524. Special rules also apply to purchases by insurance companies and purchases of new heavy trucks or trailers from out-of-state dealers.

When do I owe use tax on purchases from out-of-state vendors?

You generally owe California use tax when you *use, store, or consume*—in California—a physical product you purchase from an out-of-state vendor. If the vendor does not collect tax on your purchase you must pay tax on your personal income tax return or directly to us (see “How do I pay use tax?”). Please note that giving away an item is generally considered use.

Some purchases from out-of-state vendors, however, may not be subject to use tax. The most common use tax exemptions and exclusions apply when:

- You buy the item in a transaction that would be exempt or excluded from sales tax if it occurred in California. Examples include purchases of cold food products and purchases for resale.
- You first use the item outside California and the item remains outside the state for more than 90 days after purchase. Shipping time and related storage time do not count toward the 90 day requirement.
- You (1) first use the item outside California, (2) bring it into the state within 90 days of purchase, *and then* (3) use the item outside the state for at least half the time during the next six months.
- You do not use the item in California but instead ship it to a location outside the state for exclusive use there. This is true whether you ship the item by itself or first incorporate it into another product.
- You purchase items from a retailer located in a foreign country *and* personally hand-carry them into this state within any 30 day period; the first \$800 of the purchase price for the products from the foreign country is exempt from use tax. This exemption does not apply to purchases sent or shipped to this state from a foreign country.

What are some examples of applying tax to out-of-state purchases?

An in-state service business in California that is not required to obtain a seller’s permit due to its business operation. You buy a computer, a printer, and business supplies from an out-of-state retailer and you are not charged California tax on your purchase. You must pay use tax on the purchase price of the merchandise. You can

Sales and Use TAX FACTS

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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



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use publication 79-B, *California Use Tax*, to report your use tax liability. Publication 79-B is available from our website at www.boe.ca.gov.

A registered seller who owes use tax and must pay tax. Your California custom furniture shop buys a \$4,500 table saw from an Arizona mail-order company which does not charge you California tax. You use the saw in your shop to make furniture. You must pay use tax on the saw's \$4,500 purchase price (see "How do I pay use tax?").

A registered seller who makes purchases for resale. After buying your new table saw, you buy \$1,200 worth of lumber from a Pennsylvania mill. You will use the lumber only in making furniture to sell. Since you will resell the lumber as part of the furniture, your lumber purchase is not taxable.

A member of the general public who owes use tax. You buy a backpacking tent over the Internet from a company in Wyoming. The seller ships the tent to your home and does not charge you California tax. You owe use tax as soon as you use or store the tent in California.

How do I pay use tax?

If you hold a seller's permit, you must pay use tax with your sales and use tax return. Report the amount of your purchase under "Purchases subject to use tax," on the return for the period that includes the date when you first used, stored, or consumed the item in California. If you are not required to have a seller's permit, report the purchase on your California income tax return or on the BOE-401-DS, *Use Tax Return*, in publication 79B, *California Use Tax*. If you make frequent taxable purchases from out-of-state vendors, you may wish to register with us and obtain a Consumer Use Tax Permit. Our Taxpayer Information Section staff can help with your application. Please call 800-400-7115 for assistance.

If the vendor charges California tax, does that take care of my tax liability?

It may. If an out-of-state vendor charges you California tax, you should be sure to obtain a receipt. The receipt must describe the item and show the purchase amount, the tax amount, the vendor's name, address, and California seller's permit number (or use tax registration number), and your name and address. Be sure to check the tax rate applied to your purchase. While out-of-state vendors often apply tax at the statewide rate, you are liable for use tax at the full rate in effect at the California location where you first use the merchandise. Sales and use tax rates for all California locations are available in publication 71, *California City and County Sales and Use Tax Rates*. Please visit our website for publications or call our Taxpayer Information Section.

Can I get credit for paying another state's tax on my purchase?

If you were required to pay, and did pay, another state's sales or use tax on your purchase, you may be able to take a credit against the California use tax due. For information, please see your tax return instructions or call our Taxpayer Information Section at the number listed above.

Related resources

Regulations

1684	<i>Collection of Use Tax by Retailers</i>
1685	<i>Payment of Use Tax by Purchasers</i>
1686	<i>Receipts for Tax Paid to Retailers</i>
1823	<i>Application of Transactions (Sales) Tax and Use Tax</i>
1827	<i>Collection of Use Tax by Retailers (for special district taxes)</i>

Publications

52	<i>Vehicles and Vessels: How to Request a Use Tax Clearance for DMV Registration</i>
71	<i>California City and County Sales and Use Tax Rates</i>
79	<i>Documented Vessels and California Tax</i>
79A	<i>Aircraft and California Tax</i>
79B	<i>California Use Tax</i>

Forms

BOE-39	<i>Purchases You Make in Foreign Countries May Be Subject to Use Tax</i>
BOE-401-DS	<i>Use Tax Return</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.