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# MANDATORY USE TAX REGISTRATION FOR SERVICE ENTERPRISES

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(Names Updated 2011)

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## What is use tax?

Generally, use tax applies when a person or business in California purchases tangible merchandise to be used, consumed, given away, or stored in California from a retailer outside of this state who does not collect California tax on the sale. In other words, if sales tax would apply when a particular item is purchased in California, use tax applies when a similar purchase is made from a retailer outside the state and tax is not charged.

## Why does California impose a use tax?

The use tax, which was created in July 1935, is a companion to California's sales tax and is intended to protect California merchants who otherwise would be at a competitive disadvantage when out-of-state retailers make sales to California customers without charging tax. Use tax, just like sales tax, goes to fund state and local services throughout California.

## What is the difference between sales and use tax?

Tax collected by the retailer here in California is called sales tax, and the retailer is responsible for reporting and paying the tax to the state. When an out-of-state or online retailer doesn't collect the California tax for an item delivered to California, the purchaser may owe use tax, which is simply a tax on the use, storage, or consumption of personal property in California. The use tax rate in California

locations is the same as the sales tax rate. Consumers are responsible for reporting and paying the use tax.

## Why must I register for use tax?

State law requires you to register for use tax if you are a *qualified purchaser* (see Revenue and Taxation Code section 6225, available at [www.boe.ca.gov/sutax/useTaxRegFAQ.htm#usetax1](http://www.boe.ca.gov/sutax/useTaxRegFAQ.htm#usetax1)).

## What is a qualified purchaser?

A *qualified purchaser* is a person (see Revenue and Taxation Code section 6005) who meets the following conditions:

- Receives at least \$100,000 in gross receipts from business operations per calendar year. *Note:* Gross receipts are the total of all receipts from both in-state and out-of-state business operations.
- Is not required to hold a seller's permit or certificate of registration for use tax.
- Does not hold a use tax direct payment permit.
- Is not otherwise registered with the Board of Equalization (BOE) to report use tax.

## What are my obligations once I am registered?

You will be required to file an annual use tax return with us.

## What is the due date of my return?

Returns are due April 15th.

*Example:*

- April 15, 2010, for calendar year 2009 purchases.
- April 15, 2011, for calendar year 2010 purchases.

Once you are registered with us, the BOE will provide you information on how to efile your returns.

## How do I register?

You may download our BOE-404-A, *Qualified Purchaser Use Tax Registration*, [www.boe.ca.gov/pdf/boe404a.pdf](http://www.boe.ca.gov/pdf/boe404a.pdf), or our BOE-400-CSU, *California Use Tax Account Application*, [www.boe.ca.gov/pdf/boe400csu.pdf](http://www.boe.ca.gov/pdf/boe400csu.pdf), and furnish either one to your local BOE field office.

## Will I be contacted by the BOE to register, or should I contact the BOE?

We will make every effort to contact qualified purchasers. However, if you believe you are a qualified purchaser and you have not been contacted by the BOE you should contact your local BOE field office to register.

## Where can I find a listing of local BOE offices?

You can find a listing of local BOE offices along with directions on our website at [www.boe.ca.gov/info/phone.htm](http://www.boe.ca.gov/info/phone.htm).

## Will I be assessed penalties and interest for returns that are filed after the due date?

Yes. A ten percent penalty will be assessed for all late returns filed and interest will accrue for each month or fraction of the month until full payment of the tax is received.

The BOE may grant relief from penalty charges, but not interest charges if it is determined that a person's failure to file a timely return or payment was due to reasonable cause and circumstance beyond the person's control. To download a BOE-735, *Request for Relief of Penalty*, go to [www.boe.ca.gov/pdf/boe735.pdf](http://www.boe.ca.gov/pdf/boe735.pdf).

## Does the BOE offer additional publications about the use tax?

Yes. We offer the following publications, which are available via download on our website at [www.boe.ca.gov/sutax/staxpubsn.htm](http://www.boe.ca.gov/sutax/staxpubsn.htm): publication 110, *California Use Tax Basics*, publication 112, *Purchases from Out-of-State Vendors*, and publication 123, *California Businesses: How to Identify California Use Tax Due*.

## For more information

If you have any questions regarding use tax or registering for a permit, you may contact your local BOE office, or visit our Frequently Asked Question webpage at [www.boe.ca.gov/sutax/useTaxRegFAQ.htm](http://www.boe.ca.gov/sutax/useTaxRegFAQ.htm), or call our Taxpayer Information Section at 800-400-7115.

Customer service representatives are available to help you Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

## Tax evasion hurts all of us . . .

To report suspected tax evasion, contact our Tax Evasion Hotline at 888-334-3300.

## To contact your Board Member, see

[www.boe.ca.gov/members/board.htm](http://www.boe.ca.gov/members/board.htm)

## Taxpayer's Rights Advocate Office

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see [publication 70](#), *Understanding Your Rights as a California Taxpayer*, or contact the Taxpayers' Rights Advocate Office for help at 916-324-2798 (or toll-free, 888-324-2798). Their fax number is 916-323-3319. If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70; State Board of Equalization; P.O. Box 942879; Sacramento, CA 94279-0070.

**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.