



# CLOSING OUT YOUR SELLER'S PERMIT

**A**s a retailer, you knew the importance of obtaining a seller's permit when you started a business. It is equally important to know that you must inform the Board of Equalization (BOE) to close out your permit when any one of the following occurs:

- You are no longer actively engaged in business;
- You sell your business or stock of goods to someone else;
- You change the type of ownership for your business (e.g., from a sole proprietorship to a corporation or partnership)
- When your partnership agreement calls for dissolution of the partnership and the formation of a new partnership when a change in partners occurs.

If you fail to notify the BOE of these changes, you could be held liable for tax, interest and penalties which are incurred after you no longer own or operate the business.

This pamphlet covers the following topics related to closing out your permit:

- Notifying the BOE
- Filing your final tax return
- Taxable sales after closing out your permit
- Successor's liability and tax clearances
- Changes in ownership (See page 3 for examples of such changes)

If you want more information about any of these topics, please contact the BOE's Taxpayer Information Section at 800-400-7115. Staff will be happy to answer your questions.

## Notifying the BOE

If you sell, change partners, or close out your business, you must let us know. The following information may be needed before we can close out your seller's permit:

- The date you stopped being actively engaged in business.
- Your reason for not being actively engaged in business.
- The name(s) of any partner(s) who have dissociated from or been added to the partnership.
- The means you used to dispose of your resale inventory, fixtures, and equipment. If you sold any of these items, you will need to disclose the selling price. If you sold your entire business or resale inventory, you need to give both the selling price and the name of the buyer.

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*Failure to close out your permit can result in a tax liability even though you no longer own or operate the business.*

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Board website and Member contact information: [www.boe.ca.gov](http://www.boe.ca.gov)

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- The purchase price of retained inventory.
- Your current address and daytime telephone number.
- Your copy of the seller's permit, if available.

You can use the enclosed form, *Notice of Close Out for Seller's Permit*, to notify us (see page 5). The form will be reviewed by staff, who will contact you if additional information is required. If no additional information is needed, staff will close out your account and cancel your seller's permit.

You also need to file your final sales and use tax return and any prior returns (including prepayments) which you have not yet filed. To expedite your closeout, you should file these returns with the local office and pay any tax, penalty and interest with certified funds. If you pay by personal check and cannot provide a copy of the cancelled check, it could take eight or more weeks to close your account.

After you have paid your entire liability (including liabilities resulting from an audit), staff will return any security you have on deposit. It is important to remember that, even after providing all information and having your permit closed out, you must still keep your business records for four years.

## Filing Your Final Tax Return

Even though you have closed out your seller's permit, you must still report your sales up to the closeout date. This includes any sales of fixtures or equipment that occurred as part of the closure or sale of your business. You must also report any inventory you intend to retain for your own use if that inventory was purchased without payment of sales tax.

To help expedite the closeout you should separately report and identify the sale of "fixtures and equipment" and "retained inventory" on line 2 of your final sales and use tax return.

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 with your records.

Normally, you may file your final return on its regular monthly or quarterly due date. However, taxpayers who report annually must file the final return by the due date of the quarter in which they close out their permit.

Closing out your permit and filing your final return does not relieve you of a liability for unpaid tax whether reported or unreported. You are required to pay all tax incurred for the period you were actively engaged in business.

If the business is a corporation or LLC which has added or included tax as part of the price of the property sold, or owes use tax, corporate officers or other persons will be held personally liable for unpaid tax if they willfully failed to pay or caused not to be paid the tax that was due and were:

- Responsible for filing returns or paying tax, or
- Under a duty to act for the corporation in complying with the Sales and Use Tax Law

If you think you may have difficulty paying tax that is due, you should contact the local office handling your permit.

## Taxable Sales After Closing Out Your Permit

Before requesting the close out of your permit, you should be sure that you will make no more sales. You qualify as

a seller if you make three or more sales of tangible personal property (including retained inventory, fixtures, or equipment) in any 12-month period. As a seller, you are required to register with the BOE and to report and pay any sales tax due.

In certain cases, a single sale of fixtures and equipment which occurs after the close out can also be taxable. A sale which occurs within 60 days is normally considered taxable unless you can prove that the sale was not planned at the closeout date. A sale that occurs after 60 days, but within one year, is taxable if:

- There was a contract of sale at the closeout date, or
- A lease with an option to buy existed at the closeout date, or
- There is evidence that a plan existed to sell the fixtures and equipment in due course

You are liable for use tax if you make personal or business use of property purchased without tax, for example, resale inventory. You are required to report and pay use tax on the cost of such property.

## Successor's Liability and Tax Clearance

If you are selling your business, you need to be aware of successor's liability.

Under the law, the buyer of a business or stock of goods must withhold from the purchase price an amount sufficient to cover the seller's liability for tax, interest, and penalties. If a sufficient amount is not withheld, the buyer becomes personally liable for the amount that should have been withheld. This is called "successor's liability" and is limited to an amount equal to the purchase price of the business or stock of goods.

To be released from this liability, the buyer may request a certificate of tax clearance from the BOE.

If a tax clearance is needed to complete the sale of your business, you need to remember that it can take up to 60 days or more to obtain a clearance, especially if an audit is required and your books and records are not available for review. You can help the clearance process by ensuring that the escrow company or buyer promptly files a written request for a clearance with the local BOE office.

You should also remember that:

- The liability of a successor does not replace your primary liability for unpaid tax, interest, or penalties. The BOE will generally only try to collect from a successor if unable to do so from the seller of the business.
- The amount of money you actually receive on the sale of your business may be reduced by the amount you owe for sales and use tax. If you owe tax, the BOE generally will not issue a tax clearance until it receives full payment of your liability or until an amount equal to your liability is put into escrow.

## Changes in Ownership

If you are planning or have already made changes, you should contact the BOE's Taxpayer Information Section (see page 4). Failure to notify the BOE of a change in ownership can make you liable for the taxes owed by the new owner(s).

If you continue to operate your business but change its form of ownership, you are required to obtain a new seller's permit. A permit is valid only for the business entity (such as a sole proprietorship, partnership, corporation, limited liability company, or joint venture) in

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### NOTE

*The statements in this pamphlet are general and are current as of the date on the cover. The Sales and Use Tax Law (Revenue and Taxation Code, section 6001 and following) is complex and subject to change. If there is a conflict between the law and this pamphlet, any decisions will be based on the law and not this pamphlet.*

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whose name it was issued and certain changes in ownership will invalidate it. For example, a new permit is required when:

- A partnership adds or drops a partner and the partnership agreement requires that a new partnership be formed.
- There is a change in marital status for a husband/wife co-ownership.
- There is a change in the status of a registered domestic partnership.
- Your business converts from one type of organization (such as those named above) to another type of organization.
- A corporation reorganization or merger results in a new corporation.

Since some changes in ownership might also include taxable transfers of tangible personal property, it is recommended to contact the BOE before making the change. The staff can review the planned change and tell you if it would be subject to tax and if you will need a new seller's permit.

## For More Information

### Taxpayer Information Section

Please call the Section if you have general questions or need to learn more about closing out your permit.

**800-400-7115**

To speak to a representative, call between 8:00 a.m. and 5:00 p.m., Pacific Time, Monday through Friday, excluding State holidays. Automated services, including a fax-back service, are available 24 hours a day.

Persons with hearing disabilities can contact the Center at the following number: TDD/TTY, 800-735-2929.

## Regulations

These following Sales and Use Tax Regulations apply to close-outs:

- Regulation 1595 — Occasional Sales — Sale of a Business — Business Reorganization
- Regulation 1596 — Buildings and Other Property Affixed to Realty
- Regulation 1699 — Permits
- Regulation 1702 — Successor's Liability

Please call the Taxpayer Information Section to order copies of these regulations. Copies can also be downloaded or viewed from our website.

**[www.boe.ca.gov](http://www.boe.ca.gov)**

## Your Taxpayers' Rights Advocate

We want to make dealing with us as easy as possible. As a result, we have appointed a Taxpayers' Rights Advocate to help you with problems you have not been able to resolve through normal channels.

You can write to them at:

Taxpayers' Rights Advocate,  
MIC: 70  
State Board of Equalization  
450 N Street  
PO Box 942879  
Sacramento, CA 94279-0070

Or call:

916-324-2798  
(toll free) 888-324-2798  
(fax) 916-323-3319

**NOTICE OF CLOSEOUT FOR SELLER'S PERMIT**

*INSTRUCTIONS: Please provide the following information to assist us in closing your account, releasing security, or issuing an escrow clearance. Before completing this form, you should refer to a copy of the Board of Equalization publication 74, **Closing Out Your Seller's Permit**. Publication 74 contains important information about closing out your permit. If you have any questions, please call our Information Center at 800-400-7115.*

**SECTION I: ACCOUNT INFORMATION**

NAME	SELLER'S PERMIT NUMBER
CURRENT ADDRESS (street address)	DAYTIME TELEPHONE NUMBER (    )
(city, state, zip code)	

**SECTION II: CLOSEOUT INFORMATION**

- Did you make any purchases for your own use using your seller's permit?     YES     NO  
If YES, did you pay sales tax on those purchases to:     a. your vendor     b. the Board of Equalization
- Date the business was closed/or sold \_\_\_\_\_
- Was the business sold?     YES     NO (If NO, go to Section III of this form.)  
If YES, complete the following information:
  - Date the business was sold \_\_\_\_\_
  - Name, address and telephone number of the purchaser \_\_\_\_\_
  - Name, address and telephone number of escrow company \_\_\_\_\_
  - Escrow number \_\_\_\_\_
  - Selling price of fixtures and equipment \$ \_\_\_\_\_
  - Total sales price \$ \_\_\_\_\_
  - Your forwarding address and telephone number \_\_\_\_\_

**SECTION III: CHECKLIST FOR CLOSEOUTS WITH ESCROW CLEARANCE OR SECURITY DEPOSIT INVOLVED** (see back for instructions)

The following items may be needed to finalize the closing of your account, the releasing of any posted security, or issuing of an escrow clearance.

**ALL CLOSEOUTS:**

- Your seller's permit, if available.
- Location of your books and records.
- Final tax return with payment (if a return is not available, call 800-400-7115). If you are required to make payments by EFT, you must also make your final payment through the EFT process.

NOTE: If you sold your fixtures and equipment, even if you did not sell your business, you must include the selling price of these items on line 2 of your final return.

**CLOSEOUT BECAUSE BUSINESS SOLD AND/OR SECURITY DEPOSIT IS BEING REFUNDED**

- All of the above, and
- A copy of your escrow instructions or bill of sale showing the value of inventory, fixtures and equipment sold.
- Duplicate copies of your last two tax returns, including your final reporting period with canceled checks (photocopies of front and back) as proof of payment.
- Payment of any amounts due must be made in certified funds in order to expedite finalizing your transaction). If you are required to make payments by EFT, you must also make your final payment through the EFT process.

**SEND TO:**

Mail this completed form and your supporting documents to:  
Board of Equalization Information Center  
P.O. Box 942879  
Sacramento, CA 94279-0090

**SECTION IV: SIGNATURE**

SIGNATURE AND TITLE	DATE
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**NOTICE OF CLOSEOUT FOR SELLER'S PERMIT**

**SECTION III: CHECKLIST INSTRUCTIONS**

**ALL CLOSEOUTS**

**Return your seller's permit, if available** –Your seller's permit is the goldenrod document you received when you initially applied for your Sales Tax Permit. If you are currently unable to locate this document but do so in the future, please destroy the permit.

**Location of your books and records** – The location of your books and records is important for audit purposes. Audits are important because they protect the state against an underpayment of the sales tax and protect the taxpayer against an overpayment of the sales tax.

**Final Tax Return with Payment** – If you do not have a copy of your final sales tax return(s) available, please call 800-400-7115 between the hours of 8:00 a.m. and 5:00 p.m. Pacific Time to request a sales tax return, or contact your local Board office for a final return. If you are required to make payments by EFT, you must also make your final payment through the EFT process.

**CLOSEOUT BECAUSE BUSINESS SOLD and/or SECURITY DEPOSIT IS BEING REFUNDED**

**Copy of your escrow instructions or bill of sale** – These documents show the value of inventory, fixtures and equipment sold. The sales price of your fixtures and equipment must be included on line 2 of your final return. If a sale of fixtures and equipment is not considered at the date of closeout, a subsequent single sale of the fixtures may be treated as an occasional sale. The single sale of fixtures and equipment subsequent to the date of closeout is taxable if either:

- a. The sale occurs within 60 days of the date of closeout and the taxpayer cannot establish that the sale was not considered at the time of closeout; or
- b. The sale takes place after 60 days and within one year of the closeout date, and:
  - 1. A contract of sale existed at the date of closeout, or
  - 2. A lease with an option to buy exists, or
  - 3. Arrangements have been made for a plan to sell the fixtures and equipment in due course.

**Duplicate copies of your last two tax returns, including your final reporting period and canceled checks (photocopies of front and back) as proof of payment** – This requirement ensures that payments for all amounts due have cleared your bank. If these items are not provided, the Board must wait 30 days to process the finalizing of your permit and/or return any security that is to be returned.

**Final payments** – Payment of any amounts due must be made in certified funds in order to expedite finalizing your closeout transaction. Accounts required to make their tax payments by EFT must also make their final payments through the EFT process.

If you need assistance in providing any of the items listed above, contact your nearest Board office for detailed instructions. If the items listed above do not pertain to your closeout and you have completed Sections I, II and signed in Section IV, forward this document to the appropriate Board office. See publication 74 for a list of district office locations.

<b>FOR BOARD USE ONLY</b>					
Is registration information current?	<input type="checkbox"/> YES	<input type="checkbox"/> NO	F & E?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Is a final return filed?	<input type="checkbox"/> YES	<input type="checkbox"/> NO	Inventory?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Was a final return mailed to taxpayer?	<input type="checkbox"/> YES	<input type="checkbox"/> NO	Is the documentation attached?	<input type="checkbox"/> YES	<input type="checkbox"/> NO
Are there any delinquencies?	<input type="checkbox"/> YES	<input type="checkbox"/> NO			

## FIELD OFFICE LOCATIONS AND ADDRESSES

CALIFORNIA CITIES	OFFICE ADDRESS	CODE	NUMBER
Bakersfield	1800 30th Street, Suite 380, 93301-1922	661	395-2880
Chula Vista	590 3rd Avenue, Suite 202, Chula Vista, 91910-5657 <i>Note:</i> closed 12 noon to 1 p.m. M-F	619	409-7440
Culver City	5901 Green Valley Circle, Suite 200, 90230-6948 (PO Box 3652, 90231-3652)	310	342-1000
El Centro	1550 W. Main Street, 92243-2832 <i>Note:</i> closed 12 noon to 1 p.m. M-F	760	352-3431
Eureka*		707	576-2100
Fresno	5070 N. Sixth Street, Suite 110, 93710-7504	559	248-4219
Laguna Hills	23141 Moulton Parkway, Suite 100, 92653-1242	949	461-5711
Norwalk	12440 E. Imperial Highway, Suite 200, 90650-8397 (PO Box 409, 90651-0409)	562	466-1694
Oakland	1515 Clay Street, Suite 303, 94612-1432	510	622-4100
Rancho Mirage	35-900 Bob Hope Drive, Suite 280, 92270-1768	760	770-4828
Redding	2881 Churn Creek Road, Suite B, 96002-1146 (PO Box 280529, 96049-2529)	530	224-4729
Riverside	3737 Main Street, Suite 1000, 92501-3395	951	680-6400
Sacramento	3321 Power Inn Road, Suite 210, 95826-3889	916	227-6700
Salinas	111 East Navajo Drive, Suite 100, 93906-2452	831	443-3003
San Diego	1350 Front Street, Room 5047, 92101-3698	619	525-4526
San Francisco	121 Spear Street, Suite 460, 94105-1584	415	356-6600
San Jose	250 South Second Street, 95113-2706	408	277-1231
San Marcos	334 Via Vera Cruz, Suite 107, 92078-2637	760	510-5850
Santa Ana	28 Civic Center Plaza, Room 239, 92701-4011	714	558-4059
Santa Rosa	50 D Street, Room 230, 95404-4791 (PO Box 730, 95402-0730)	707	576-2100
Suisun City	333 Sunset Avenue, Suite 330, 94585-2003	707	428-2041
Van Nuys	15350 Sherman Way, Suite 250, 91406-4203 (PO Box 7735, 91409-7735)	818	904-2300
Ventura	4820 McGrath Street, Suite 260, 93003-7778	805	677-2700
West Covina	1521 West Cameron Avenue, Suite 300, 91790-2738 (PO Box 1500, 91793-1500)	626	480-7200

## OUT-OF-STATE FIELD OFFICES

Sacramento	3321 Power Inn Road, Suite 130, 95826-3893 (PO Box 188268, 95818-8268)	916	227-6600
Chicago, Illinois	120 N. La Salle, Suite 1600, 60602-2412	312	201-5300
New York, N.Y.	205 East 42nd Street, Suite 1100, 10017-5706	212	697-4680
Houston, Texas	1155 Dairy Ashford, Suite 550, 77079-3007	281	531-3450

\* Limited services are available in Eureka. See [www.boe.ca.gov/info/eurekaoffice.htm](http://www.boe.ca.gov/info/eurekaoffice.htm) or call the number listed above (Santa Rosa office).

## HEADQUARTERS

Sacramento	PO Box 942879, 94279-0090	800	400-7115
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*Addresses and telephone numbers are current as of February 13, 2007, but are subject to change. We recommend you call the office before visiting.*

**Unless otherwise noted all offices are open from 8 a.m. to 5 p.m. Monday-Friday, excluding state holidays.**