

Closing Out Your Seller's Permit

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PREFACE

As 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 (for example, 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 publication 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

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.

We welcome your suggestions for improving this or any other publication. If you would like to comment, please provide your comments or suggestions directly to:

Audit and Information Section, MIC:44
State Board of Equalization
PO Box 942879
Sacramento, CA 94279-0044

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, the decision will be based on the law and not on this publication.

To contact your Board Member, see www.boe.ca.gov/members/board.htm.



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NOTIFYING THE BOE

If you sell, change partners, or close out your business, you should 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.
- The purchase price of retained inventory.
- Your current address and daytime telephone number.
- Your copy of the seller's permit, if available.
- Your business website address, if available.

You can use the enclosed [BOE-65](#), *Notice of Close Out for Seller's Permit*, to notify us. 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 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 to Other Retailers for the Purpose of Resale" on 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. 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 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 married 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

For additional information or assistance with how the Sales and Use Tax Law applies to your business operations, please take advantage of the resources listed below.

TAXPAYER INFORMATION SECTION

800-400-7115

TDD/TTY 800-735-2929

Customer service representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. In addition to English, assistance is available in other languages.

FIELD OFFICES

City	Area Code	Number
Bakersfield	661	395-2880
Culver City	310	342-1000
El Centro	760	352-3431
Fresno	559	440-5330
Irvine	949	440-3473
Norwalk	562	466-1694
Oakland	510	622-4100
Rancho Mirage	760	770-4828
Redding	530	224-4729
Riverside	951	680-6400
Sacramento	916	227-6700
Salinas	831	443-3003
San Diego	619	525-4526
San Francisco	415	356-6600
San Jose	408	277-1231
San Marcos	760	510-5850
Santa Rosa	707	576-2100
Suisun City	707	428-2041
Van Nuys	818	904-2300
Ventura	805	677-2700
West Covina	626	480-7200
Out-of-State Field Offices		
Chicago, IL	312	201-5300
Houston, TX	281	531-3450
New York, NY	212	697-4680
Sacramento, CA	916	227-6600

INTERNET

www.boe.ca.gov

You can log onto our website for additional information—such as laws, regulations, forms, publications, and policy manuals—that will help you understand how the law applies to your business.

You can also verify seller's permit numbers on the BOE website (look for "[Verify a Permit/License](#)") or call our toll-free automated verification service at 888-225-5263.

Multilingual versions of publications are available on our [website](#) at www.boe.ca.gov.

Another good resource—especially for starting businesses—is the California Tax Service Center at www.taxes.ca.gov.

FAXBACK SERVICE

Our faxback service, which allows you to order selected publications, forms, and regulations, is available 24 hours a day. Call 800-400-7115 and choose the fax option. We'll fax your selection to you within 24 hours.

TAX INFORMATION BULLETIN

The quarterly Tax Information Bulletin (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current and archived TIBs on our website at www.boe.ca.gov/news/tibcont.htm. Sign up for our BOE updates email list and receive notification when the latest issue of the TIB has been posted to our website.

FREE CLASSES AND SEMINARS

Most of our statewide field offices offer free basic sales and use tax classes with some classes offered in other languages. Check the Sales and Use Tax Section on our website at www.boe.ca.gov for a [listing of classes and locations](#). You can also call your local field office for class information. We also offer [online seminars](#) including the Basic Sales and Use Tax tutorial and how to [eFile](#) that you can access on our website at any time. Some online seminars are also offered in other languages.

WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

Please visit our website at: www.boe.ca.gov/info/email.html to email your request. Email encryption allows us to provide a safe and secure way of transmitting confidential information electronically. Instructions for registering and receiving encrypted emails is posted to our website. You may also send your request in a letter to: Audit and Information Section, MIC:44, State Board of Equalization, P.O. Box 942879, Sacramento, CA 94279-0044.

TAXPAYERS' RIGHTS ADVOCATE

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.

Regulations, forms, and publications

Lists vary by publication

Selected regulations, forms, and publications that may interest you are listed below. A complete listing of sales and use tax [regulations](#), [forms](#), and [publications](#) appears on the [BOE website](#). Multilingual versions of our publications and other multilingual outreach materials are also available www.boe.ca.gov/languages/menu.htm.

Regulations

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

Publicaciones disponibles en su idioma
以您的母語出版的出版物
Các Ấn Phẩm Có Sẵn Trong Ngôn Ngữ Của Quý Vị
귀하의 언어로 된 간행물이 있습니다

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 (BOE) 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 Taxpayer Information Section at 800-400-7115.*

SECTION I: ACCOUNT INFORMATION

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

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 BOE
- Date the business was closed _____
- 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 your final return under "Purchases Subject to Use Tax."

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 Taxpayer Information Section
P.O. Box 942879
Sacramento, CA 94279-0090

SECTION IV: SIGNATURE

SIGNATURE	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 your final tax return is not available, please call 800-400-7115 between the hours of 8:00 a.m. and 5:00 p.m. Pacific time or contact your local BOE office. 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.

You will need to provide information about your final two tax returns.

- If you efiled, you only need to provide proof of payment.
- If you filed paper tax returns, you must provide copies of the final two tax returns and proof of payment.

If these items are not provided, the BOE must wait 30 days before refunding any security deposits posted and/or closing your account.

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 BOE 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 BOE office. See publication 74 for a list of field office locations.

FOR BOE USE ONLY

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 provided 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			

