

Sales and Use Tax:

Simplifying Taxes for Your Business

presented by the Board of Equalization



About this Presentation

The contents of these slides do not constitute written advice from the Board of Equalization (BOE) under Revenue and Taxation Code, Section 6596.

This presentation is designed to illustrate general tax concepts, and does not address every situation. The BOE can provide written advice for all transactions, including unique and particular situations.

Requests for written advice can be emailed to the BOE at www.boe.ca.gov/info/email.html or mailed directly to the BOE field office nearest you.

Presentation Objectives

- Sales and use tax: What's taxable?
- Responsibilities as a seller in California
- How your business can avoid problems
- Where to find BOE resources and services

Sales

What exactly is a sale?



Tangible Personal Property (TPP)

TPP



Non-TPP



These examples are not meant to be all inclusive

Seller's Permit

- Allows businesses to make sales of tangible personal property in California
- Posted at each place of business

DISPLAY CONSPICUOUSLY AT PLACE OF BUSINESS FOR WHICH ISSUED

CALIFORNIA STATE BOARD OF EQUALIZATION

SELLER'S PERMIT

ACCOUNT NUMBER
09/07/2015 SR KH 900-000642

HELLO GOODBYE
700 H ST
SACRAMENTO, CA 95814-1216



NOTICE TO PERMITTEE:
You are required to obey all Federal and State laws that regulate or control your business. This permit does not allow you to do otherwise.

IS HEREBY AUTHORIZED PURSUANT TO SALES AND USE TAX LAW TO ENGAGE IN THE BUSINESS OF SELLING TANGIBLE PERSONAL PROPERTY AT THE ABOVE LOCATION. THIS PERMIT IS VALID ONLY AT THE ABOVE ADDRESS.

THIS PERMIT IS VALID UNTIL REVOKED OR CANCELED AND IS NOT TRANSFERABLE. IF YOU SELL YOUR BUSINESS OR DROP OUT OF A PARTNERSHIP, NOTIFY US OR YOU COULD BE RESPONSIBLE FOR SALES AND USE TAXES OWED BY THE NEW OPERATOR OF THE BUSINESS.

Not valid at any other address.

For general tax questions, please call our Customer Service Center at 1-800-400-7115 (TTY:711).
For information on your rights, contact the Taxpayers' Rights Advocate office at 1-888-324-2798 or 1-916-324-2798.

BOE-442-R REV. 16 (11-14)

Sales Tax

All sales are taxable unless specifically exempt by law.

- Definition
- Responsibilities



Common Sales Tax Exemptions and Deductions

- Sales for resale
- Non taxable sales of food products
- Labor (repair and installation)
- Sales to the U.S. Government
- Sales in interstate and foreign commerce
- Sales tax included in gross receipts

Sales for Resale

Resale Certificate

California Resale Certificate

1. Seller's name:

2. Seller's address:

3. Buyer's name:

4. Buyer's address:

5. Description of goods to be purchased for resale:

6. Buyer's use:

Food Products

Non Taxable

- Groceries



Taxable

- Restaurants



Labor

Non Taxable

- Repair
- Installation



Taxable

- Fabrication
- Assembly



Sales to the U.S. Government

Non Taxable

- Federal agencies

Taxable

- Local and state agencies



Sales in Interstate and Foreign Commerce



- The sale occurs outside of California and the use occurs outside of California

Sales Tax Included in Gross Receipts



Use Tax

- Definition
- Items removed from inventory (Use)
- Purchases from out of state retailers



- Online purchases
- Catalog sales

Sales and Use Tax Rate

CA.GOV California State Board of Equalization Find a Sales and Use Tax Rate

Search by: Address My Location

Enter an address below:

Street: 5901 Green Valley Circle
City: Culver City
State: California
Zip: 90230

Search

Type an address above and click "Search" to find the sales and use tax rate for that location. All fields required.

The tax rate displayed is for the address shown below. Please review the results to ensure that the address shown below is the location that you intended. Also, be aware that tax rates, as well as city and county boundary lines, are subject to change. The rate displayed on the screen is based upon the search results, and is the rate in effect today.

Results:

5901 Green Valley Circle,
Culver City, CA 90230

Sales & Use Tax Rate (1/19/2016):

9.5%
Tax Area(s)
CULVER CITY

A map of Culver City, California, showing the location of 5901 Green Valley Circle. The map is centered on the address, and a red pin is placed on the location. The map shows surrounding streets and landmarks, including Baldwin Hills and Culver City. The tax rate of 9.5% is displayed on the map near the pin.

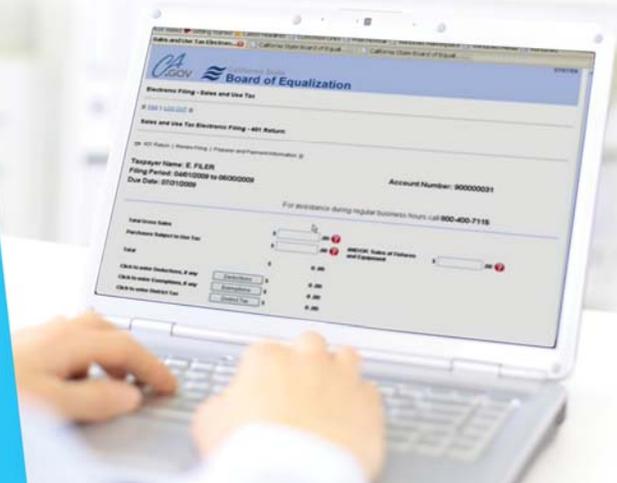
ix(es)
% -
%

Please ensure the address information you input is what you intended. The tax rate here will reflect the current tax for the address that.

For more information about tax rates, visit our [California City & County Sales & Use Tax Rates website](#). | Contact us at [800ca.gov](#) | [Privacy Policy](#) | Last updated: 10/16/2014

Taxpayer Responsibilities

Filing sales and use tax returns



Reporting basis

Avoiding:

- Interest
- Penalties
- Collection fees



Additional Licenses and Accounts Required by the BOE

- Cigarette license
- eWaste
- Tire fee
- Underground storage tank



Account Maintenance

Report changes:

- Ownership
- Location
- Mail and email address
- Closing your business

Recordkeeping

BOE Requirements



Resources and Services

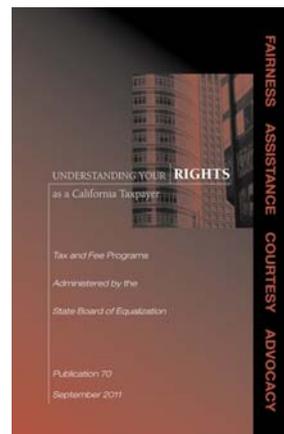
Call Center: (800) 400-7115
Open Monday - Friday, 8:00 a.m. – 5:00 p.m.

A collage of screenshots from the California State Board of Equalization (BOE) website. The screenshots show various sections including 'Languages', 'News & Events', and 'Tax'. Below the screenshots are social media icons for Facebook, YouTube, Twitter, LinkedIn, a mobile phone icon, and RSS.

Taxpayers' Rights Advocate

(888) 324-2798

If you are unable to resolve a disagreement with the BOE and you would like to know more about your rights under the law.



The BOE wishes you success in your business venture!



**How to do
Business with
California
State
Government**

Sell to the State

**Small Business/
Disabled Veteran
Business Enterprise**

**Get Public Procurement
Information**

**Cal
eProcure**

BOE – Pomona 3.16.16

CALIFORNIA DEPARTMENT OF GENERAL SERVICES • PROCUREMENT DIVISION

How to do Business with California State Government

Danetta Jackson, Outreach Program Manager
Department of General Services
Procurement Division
Certification and Outreach Branch
707 3rd Street
West Sacramento, CA 95605

Danetta.Jackson@dgs.ca.gov

The logo for the Department of General Services (DGS) of California, featuring the letters 'DGS' in a bold, blue, sans-serif font.

State's SB/DVBE Goals

- Requires state agencies to award at least **25%** of their annual contracting dollars to certified Small Business
- MVC Section 999 requires agencies to award at least **3%** to certified Disabled Veteran Business Enterprises (DVBE)
- OSDSHelp@dgs.ca.gov

The logo for the Department of General Services (DGS) of California, featuring the letters 'DGS' in a bold, blue, sans-serif font.

Small Business Eligibility Requirements

- To be eligible for SB certification, the business must meet the following criteria:
 - Must be independently owned and operated;
 - Cannot be dominant in the field of operation;
 - Must have its principal office located in California;

DGS

Small Business Eligibility Requirements

- The business must also:
 - Have its owners (or officers in the case of a corporation) domiciled in California;
 - And, together with the affiliates, be either:
 - a business with 100 or fewer employees, and have an average annual gross receipts of \$14 million or less over the previous 3 tax years, or
 - a manufacturer with 100 or fewer employees

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DVBE Definition

- For DVBE certification purposes, a “disabled veteran” is a veteran of the U.S. military, naval, or air service; and has a service connected disability of at least 10% or more as certified by the United States Department of Veteran Affairs and must be domiciled in the State of California.

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DVBE Eligibility Requirements

- Most DVBEs can also be certified SBs
- To be eligible for DVBE certification, the business must meet the following criteria:
 - Be at least 51% owned by one or more disabled veterans (defined on next slide)
 - Limited Liability Companies (LLCs) must be wholly owned by one or more disabled veterans

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DVBE Eligibility Requirements

- Daily business operations must be managed and controlled by one or more disabled veterans. The disabled veteran(s) who manages and controls the business is not required to be the disabled veteran business owner(s)
- The home office must be located in the United States. The home office cannot be a branch or subsidiary of a foreign corporation, foreign firm, or other foreign based business.

DGS

DVBE Eligibility Requirements

- More information can be found at:
 - www.pd.dgs.ca.gov/smbus
 - or by calling **(916) 375-4940**
 - OSDSHelp@dgs.ca.gov

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Benefits of Certification

- 5% Bid Preference for Small Business
- The State may offer up to a 5% incentive to DVBE's in the formal bid process
- As a California certified SB/DVBE, your firm is added to the Department of General Services' certified firm database

DGS

SB/DVBE Option

- Certified SB or DVBE
- Goods, Services, & IT goods and services - \$5,000.01 to \$249,999.99
- Public Works - \$5,000.01 to \$291,000.00
- At least two price quotes (2 SBs or 2 DVBEs)
- Authorized by Govt Code 14838.5

DGS

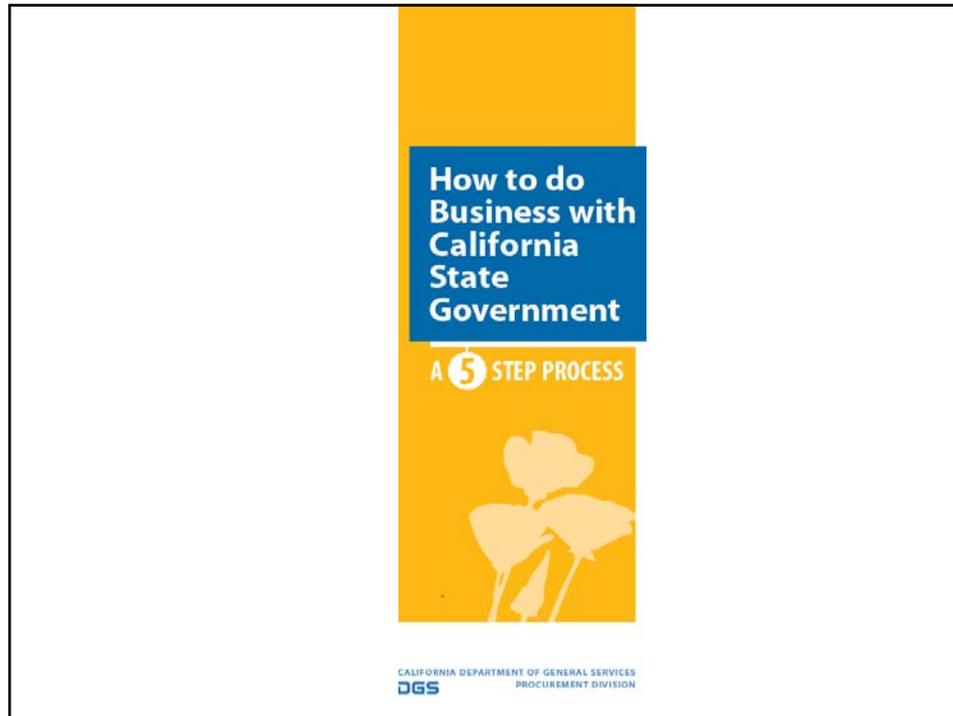
SB/DVBE First Policy

- Certified SB or DVBE
- Goods, Services, & IT goods and services - \$0.00 to \$249,999.99
- Public Works - \$0.00 to \$291,000.00
- At least two price quotes (2 SBs or 2 DVBEs)
- Department of General Services, Franchise Tax Board, Department of Veterans Affairs, Military Department, Department of Public Health, California Highway Patrol, California Department of Technology, Department of Education, California State Teachers Retirement System, and Department of Consumer Affairs have the First Policy in place.

DGS

How to do Business with the State of California A FIVE-STEP PROCESS

DGS



What is Cal eProcure?

- Cal eProcure is the buying, selling and small business component of FI\$Cal as the procurement system of record for the state.
- Cal eProcure includes many new features designed to enhance the user experience for state customers as well as a responsive design and mobile compatibility.



STEP 1-Register with Cal eProcure

- Go to <https://www.caleprocure.ca.gov>
- Complete the 9-step process
- No cost for California Users

Latest News	Frequently Asked Questions	Browser Compatibility & Scheduled Outages	Technical Assistance
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What browsers are supported for desktop users?

- IE 10 or higher
- Chrome 21 or higher
- Firefox 11 or higher
- Safari v5 or higher

[Back to Top](#)

What browsers are supported for mobile users?

- Safari iOS7 or higher
- Chrome on Android 4.1 or higher

[Back to Top](#)

What minimum requirements must your browser support?

- Cookies are to be enabled
- For Safari users, privacy mode is to be enabled
- Secure SSL traffic

[Back to Top](#)

What tools provide the best experience for an end-user using accessibility tools?

The FISCal Project has tested with the following tools:

- Chrome 21 or higher
- JAWS 17.0 or higher



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Seminar Presentations



Register to do business with the State

BIDDER REGISTRATION

Go to <https://www.caleprocure.ca.gov>. In the upper right hand corner, click **Login/Register**; on the next page, click **Register as a Source Bidder**.

Step 1 Preliminary Information. Choose either *Federal Employer Information Number (FEIN)* or *Social Security Number (SSN)* as your *Tax Identification Number (TIN)*, choose either *Selling Goods/Services*, *Buying Goods/Services*, or *Both*. (*Buying Goods/Services* will be used in the future for things like State-held auctions.)

Step 2 User Account Setup. All items with an asterisk must be completed. If you have a website, enter the link under *URL/ID*. If you use *Instant Messaging*, complete *IM Service* and *IM User Name*. Currency for the United States is *USD*. If you have additional users, use the *Save* and *Add Another User* button.

Step 3 Primary Address. Complete all items marked with an asterisk.

Step 4 Other Account Addresses. Depending on the number of users, you can have multiple entries for items such as *Invoice Address* or *Primary Address*.

Step 5 Address Contacts. Add information for additional contacts.

Step 6 Other Business Details. Choose *Company Primary Industry and Keywords*. (Use the plus sign [=] to add keywords. Add at least 3 keywords.) Make sure you check *Receive Bid Interest Notifications* and *Receive Certification Notifications*. Choose *Service Areas*).

Step 7 Additional Classification Information. *NAICS Codes* (North American Industry Classification System) is a required field for those applicants that are manufacturers. It is optional, but recommended, for all others.

Step 8 Bid Notification Preferences. *UNSPSC Code* (United Nations Standard Products and Services Codes) can be searched by code or keyword. Select as many codes that are appropriate to your company and select the highest level of UNSPSC codes. Choose everything in that entire category and then as you get notifications for events that don't pertain to your company, you can go back in and remove those particular UNSPSC codes from your profile.

Step 9 Terms and Conditions. Click the required box to agree to the terms and conditions for state procurement. Click **Finish**.

Bidder Registration is complete. You will receive an email with your temporary password.

(continued on the other slide)

<https://www.caleprocure.ca.gov>
DGS <https://www.caleprocure.ca.gov>
www.dgs.ca.gov/pd

After receiving confirmation of your user ID and password, activate your account.
Go to <https://www.caleprocure.ca.gov>
In the upper right hand corner, click **Login/Register**.
Log in with your *User ID* and *Password*. You must input a new password for security after the initial log in. (You can click on your account by clicking the **Login** button on the top right hand side of the *Home* page. You can view your account, change your password, or log out.)

For questions about bidder registration, call 1-855-421-6355 or email venders@fiscal.ca.gov.

<https://www.caleprocure.ca.gov>
Cal eProcure
California Department of General Services - Procurement Division
707 Third Street, 2nd Floor - West Sacramento, CA 95605 - www.dgs.ca.gov/pd
02/16/16

(continued)

Small Business (SB), Disabled Veteran Business Enterprise (DVBE) Certification

To get Certified as a Small Business, Disabled Veteran Business Enterprise, or both, go to <https://www.caleprocure.ca.gov>.

Click on the middle icon (a check mark, *Small Business/Disabled Veteran Business Enterprise*), then click the **Get Certified** button on the left side of the page.

Before following the SB/DVBE application process gather the following documents/information:

- Applicant/Affiliate Federal Tax Returns for three most recent tax years
- Federal Employee Identification Number (FEIN)
- Secretary of State Number
- Home address of Officers, Member/Manager and Partners
- Dun & Bradstreet Number (if applicable)
- Contractors State License Board Number (if applicable)
- A list of keywords describing your business activities to ensure your businesses is easily and appropriately identified in any searches for certified firms. (Since you are limited to 255 characters, do NOT use periods or commas and do NOT repeat words.)

For questions regarding certification, call (916) 375-4940.

<https://www.caleprocure.ca.gov>
Cal eProcure
California Department of General Services - Procurement Division
707 Third Street, 2nd Floor - West Sacramento, CA 95605 - www.dgs.ca.gov/pd
02/16/16

Step 2 – State Certification

- Now that your registration is complete, you can proceed and get certified by:
 - CLICKING the returning to the Home page
 - CLICKING the giant Check Mark, SB & DVBE
 - CLICKING the giant “Check Mark”

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The screenshot shows a web browser window displaying the California eProcurement website. The address bar shows the URL <https://www.caleprocure.ca.gov>, which is highlighted with a red box. The website header includes the CA.GOV logo, the Cal Procure logo, and navigation links for Home, News/Events, and FAQ. The main content area features a banner that reads "Welcome to California's Online Marketplace". Below the banner are three main navigation options: "Sell to the State", "Small Business / Disabled Veteran Business Enterprise" (highlighted with a red box), and "Get Public Procurement Information". The "Small Business / Disabled Veteran Business Enterprise" option includes the text "Get Certified and Understand Your Advantages". Below these options is a "Latest News and Events" section with two news items: "Release of Cloud Computing Special Provisions for SaaS" and "Small Business & DVBE Outreach Events 2015". A "BUYING GREEN" logo is also visible in the bottom right corner.

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Seminar Presentations

CA.GOV Cal eProcure Home News/Events FAQ Contact Quicklinks - Login/Register

Small Business/ Disabled Veteran Business Enterprise
Click here to **Get Certified**

SB/DVBE Certification

- Find out about SB/DVBE Certification
- Search for Certified SB/DVBE Firms

Office of Small Business & Disabled Veteran Business Enterprises (OSDS) Resources

- Learn about Nonprofit Veteran Service Agency (NWSA) certification and Nonprofit (NP) recognition
- Find SB/DVBE Forms
- Obtain a stamp and/or assistance on prompt payment penalties
- File a complaint
- Find resources for how to start and develop a business (Business Development Program)
- Caltrans' Disadvantaged Business Enterprise (DBE) certification

Communication & Outreach (C&O)

- Resource Page
- Doing Business with the State
- View Upcoming SB/DVBE Outreach Events
- Find Reciprocity Partners that accept DGS's certified firms
- Find a SB/DVBE Advocate
- Find agencies that have delegated purchasing authority
- Learn about the benefits of the SB/DVBE Option
- Apply to become a California Multiple Award Schedules (CMAS) Contractor

CA.GOV Cal eProcure Home News/Events FAQ Contact Quicklinks - angelservices -

Get Certified as Small or Disabled Veteran Business Supplier

Use this online form to get certified as a California Small or Disabled Veteran Business Enterprise supplier. If you would like more information before you get started, see here:

Small Business Certification Requirements
Disabled Veteran Business Enterprise (DVBE) Certification Requirements (PDF)

If you have questions concerning the process or online application, contact the SB/DVBE Certification Office at 916-375-4940.

Select the certification type(s) from the list below by clicking the checkboxes.

Angel Hood's Office Supply Co.
 SB (Small Business (SB))
 DVBE (Disabled Veteran Business Enterprise (DVBE))
 NWSA (Non-Profit Veteran Service Agency (NWSA))
 NP (Non-Profit Recognition (NP))

Next

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SB/DVBE CERTIFICATION

Since every business is different, please complete the on-line application, individually. If you have any questions, contact 916-375-4940 and someone from our Certification Office will help you. Their hours of operation are 08:00 am to 05:00 pm, Monday through Friday.

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STEP 3 - CSCR

- Use the California State Contracts Register (CSCR)

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What is the CSCR?

- A one-stop, source for contracting opportunities
- Connected to government bids, listing:
 - Services and construction contracts over \$5,000
 - Commodity contracts over \$50,000
 - IT goods and services contracts over \$100,000

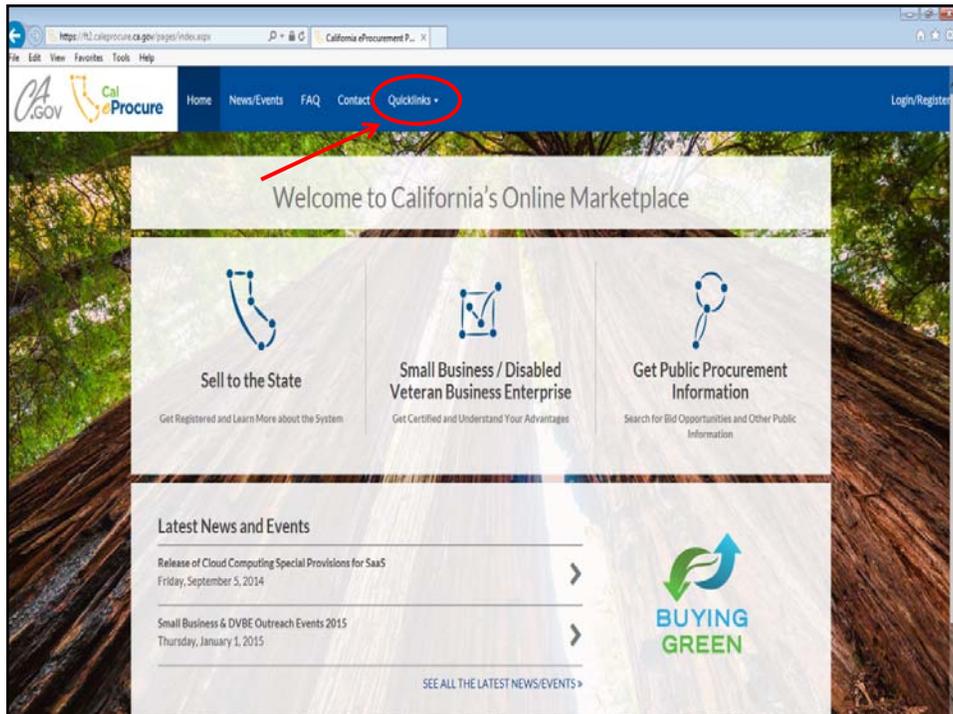
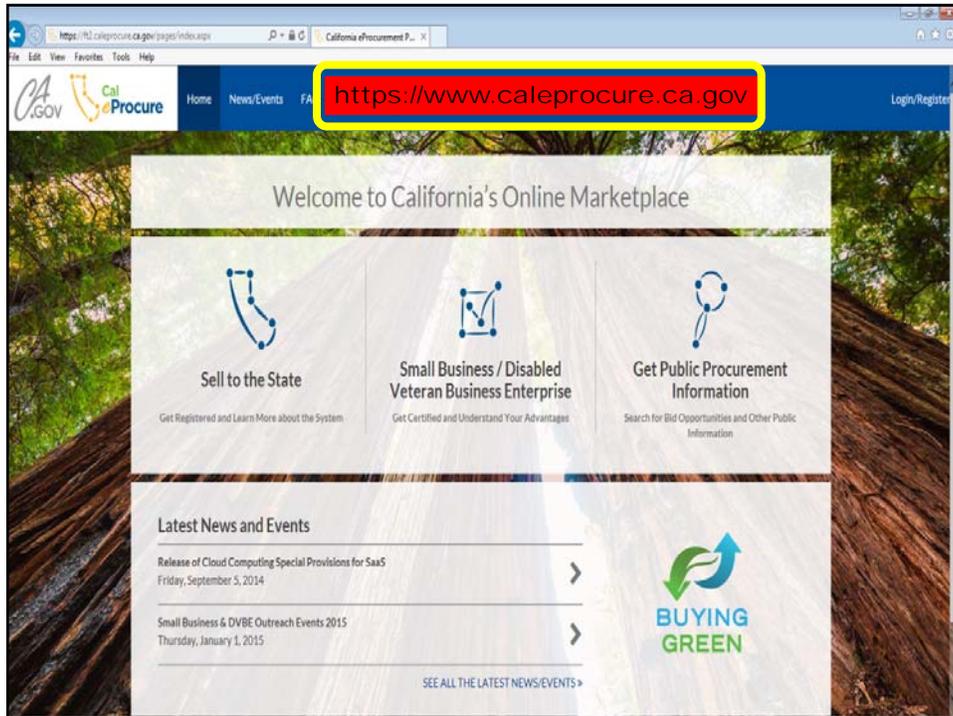
The logo for the Department of General Services (DGS) is located in the bottom left corner of the slide. It consists of the letters "DGS" in a bold, blue, sans-serif font. To the left of the text is a vertical green bar with a white silhouette of a person's head and shoulders, facing right.

How the CSCR Works

- State agencies post their solicitations when they go out to bid
- Sub-contractors can find contracting opportunities
- Subs can place ads seeking work with potential primes
- Ads are free

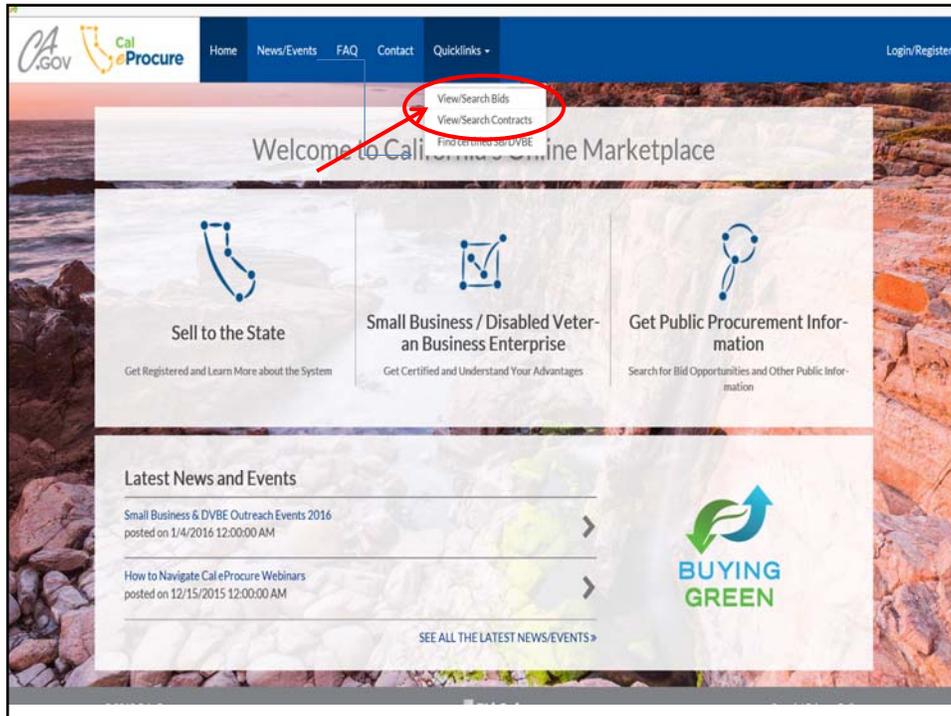
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Norwalk Business Resource Seminar of August 17, 2016 Seminar Presentations



Norwalk Business Resource Seminar of August 17, 2016

Seminar Presentations



STEP 4 - CMAS

- Look into becoming a California Multiple Award Schedules (CMAS) Contractor



STEP 4
**LOOK INTO BECOMING
A CALIFORNIA
MULTIPLE AWARD
SCHEDULES (CMAS)
CONTRACTOR**

DGS, Procurement Division establishes agreements with businesses who offer products and/or services available through current Federal General Services Administration (GSA) multiple award schedules. CMAS offers a wide variety of commodities, non-IT services and information technology products and services at prices which have been assessed to be fair, reasonable and competitive.

State and local governmental agencies shop and compare CMAS for the best value, e.g., best price, product, service, etc., and place orders directly with these businesses. Use of CMAS is optional.

Find out more about CMAS at www.dgs.ca.gov/pd/CMAS or phone (916) 375-4363



STEP 5 - Marketing

- **Market Your Business to State Agencies**

STEP 5 MARKET YOUR BUSINESS TO STATE AGENCIES

Once you become a certified firm or a CMAS contractor your business information is included in databases accessible to state purchasing officials. However, you must still market your products and services to state agencies.

- Most state agencies have an SB/DVBE Advocate to disseminate information on pending solicitations to SBs/DVBEs, ensure prompt payments and resolve contracting issues. Find SB/DVBE Advocates at www.dgs.ca.gov/pd/advocate
- Some state agencies have delegated purchasing authority to allow them to contract directly with vendors. Find out which agencies have delegated purchasing authority at www.dgs.ca.gov/pd/delegated
- Find out what state agencies buy and the dollar amount of the contracts. Go to www.dgs.ca.gov/pd/Programs/calprocure/SCPRSData.aspx
- Certain other local governments and industry partners honor the state's SB/DVBE certification. Visit www.dgs.ca.gov/pd/reciprecty
- The California Online Directory provides access to state government information and services including employee phone numbers, agency information, and a government organization chart. www.cold.ca.gov
- Keep up-to-date on news and events relevant to the SB/DVBE community. Access www.dgs.ca.gov/pd/communicationsoutreach
- If your business currently accepts VISA cards for payment, you can accept the CAL-Card VISA and receive payment in two to three days. If you do not currently accept credit card payments, contact your bank to determine how to do this.

STEP 5 - Marketing

Certification Reciprocity Program

- 60 agencies who are a part of the program
- 24 honor Small Business certification
- 47 honor DVBE certification

QUESTIONS

Thank you for participating in our presentation

We wish you success!

Email us at:

• Advocate@dgs.ca.gov or

Phone us at (800) 559-5529 X 3#

DGS

Employee or Independent Contractor

Employment Development Department
Taxpayer Education and Assistance Program

EDD Employment
Development
Department
State of California

Objectives

- Common misconceptions
- Employees or independent contractors
- Statutory and exempt employment
- Resources to help classify workers

Common Misconceptions

When is an individual an employee?

There are several common misconceptions which often lead to misclassifying workers as independent contractors.

Resource:

Independent Contractor Misconceptions (DE 573M)

Reasons to Properly Classify Workers

- Avoid reclassification audits and investigations by the EDD, IRS, and/or Department of Industrial Relations due to:
 - Worker claims – unemployment/injury.
 - Worker informants.
 - Competitor informants.
- Prevent additional taxes, penalties, and interest.

Misclassification Example

One worker, earning \$20,000 for one year	Employer misclassifies worker as independent contractor.	Employer correctly classifies worker as employee.
UI (3.4 percent)* *New employer rate	\$238	\$238
ETT (0.1 percent)	\$7	\$7
SDI (0.9 percent)	\$180	(withheld from employee)
PIT (6.0 percent)	\$1,200	withheld from employee)
Total due for one year	\$1,625** **Plus penalty and interest	\$245

Types of Workers

- Employees
 - Common Law
 - Statutory
 - Exempt
- Independent Contractors

Resource:

Information Sheet: Employment (DE 231)

Common Law Guidelines

- **Common Law Employee:**
 - An individual who performs services for you and is subject to your control regarding what will be done **and** how it will be done.
- **Independent Contractor:**
 - An individual who performs services for you **but** you control only the result of the work.

Common Law Employment

- Common law evolved slowly over the years based on court decisions on individual cases.
- Common law rules of employment are the total of all court decisions on employment.

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Common Law Primary Factor

- The right of the principal to control the manner and means of accomplishing a desired result.
- The right to discharge a worker at will and without cause is strong evidence of right to control.

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Weighing the Factors

The importance or weight given each factor will vary, depending on the specific work situation, industry, and occupation.



Examining and Categorizing the Factors

FACTORS	EMPLOYEE	INDEPENDENT CONTRACTOR
Distinct trade or occupation	No separately established business	
Supervision		Own methods
Skill level		Own expertise
Tools and place of work	Business provides	
Length of time	Continuous	
Method of payment	Guaranteed payment	
Regular part of business	Vital to business	
Belief of parties		Independent contractor
Extent of actual control		Worker sets schedule
Services benefit principal	Benefits owner's business	
Profit or loss	No investment or financial risk	

Statutory Employees

Employee by law under a specific statute.

Examples include, but not limited to:

- ✓ Corporate officers
- ✓ Unlicensed contractors
- ✓ Certain Limited Liability Company (LLC) members

Resources:

- *Information Sheet: Statutory Employees (DE 231SE)*
- *Information Sheet: Limited Liability Entities (DE 231LLC)*

Exempt Employees

Certain employees are not subject to specific taxes or withholding provisions.

Examples include:

- ✓ Domestic workers
- ✓ Family members
- ✓ Direct sellers
- ✓ Real estate agents

Resource:

Information Sheet: Exempt Employment (DE 231EE)

Resources

- *Employment Determination Guide (DE 38)*
- *Determination of Employment Work Status for Purposes of State of California Employment Taxes and Personal Income Tax Withholding (DE 1870)*
- California Unemployment Insurance Appeals Board

www.cuiab.ca.gov/index.asp

Employee or Independent Contractor Course at:
www.edd.ca.gov/Payroll_Taxes/Web_Based_Seminars.htm

Resources (Continued)

- Payroll Tax Seminars
www.edd.ca.gov/Payroll_Tax_Seminars
- Taxpayer Assistance Center:
1-888-745-3886

State Electronic Filing and Payment



e-Services for Business

- Fast, easy, and secure way to manage your payroll taxes online.
- View and edit your returns or reports prior to submission.
- Available 24 hours a day, 7 days a week.

<https:eddservices.edd.ca.gov>

Thank You.

Questions?

The EDD, an equal opportunity employer/program, is a partner in this event. Auxiliary aids and services are available upon request to individuals with disabilities.

Recordkeeping for Small Business/Self Employed Individuals



Date

Agenda

- Necessity of books and records
- Definition of books and records
- Specific types of records needed
- Maintaining books and records



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Necessity of Books and Records

- Monitor the business's progress
- Prepare financial statements
- Keep track of deductible expenses



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Necessity of Books and Records

- Prepare tax returns
- Prepare for examination
- Business
 - Verify expenses
 - Proof of payment not enough



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Books and Records

- Records
- Tax purpose of a record
- Accounting entry
- Accounting book
- Income statement
- Balance sheet



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UETA Definition of Electronic Books and Records

Uniform Electronic Transaction Act defines electronic records that, by electronic means, are:

- Created
- Generated
- Sent
- Communicated
- Received, or
- Stored



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Electronic Documentation and the Audit Process

- Records generally accepted by the IRS
- Follow rules when providing electronic records to the IRS
- Revenue Procedure 98-25



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Record Types Needed Gross Receipts

- Cash register tapes
- Receipt book
- Sales
- Invoices
- Credit charge slips
- Forms 1099



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Record Types Needed Purchases and Expenses

- Amount paid
- Amount was for business purchases



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Record Types Needed (Cont'd)

Charitable Contributions, Travel, Transportation,
Entertainment, Gifts

- Amount
- Each date
- Description
- Explanation of business benefit gained



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Record Types Required Employment Taxes

- Names
- Addresses and
- Taxpayer identification numbers for individuals
 - who work for you or
 - performs services and receives payment



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Record Types Needed - Assets

- Property used in business must be substantiated
- Maintaining records that show
 - When and how property acquired
 - Purchase price, and
 - Use of property



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Maintenance of Books and Records

- Use the method that works best
- Records should say:
 - what was received
 - from whom
 - for what reason
- Keep records timely



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Responsibility of Books and Records

- Taxpayer/business owner responsible for maintaining adequate books and records
- If paid preparer used, preparer's records needed also



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How Long to Keep Records

- Generally, three years from filing date to examine tax return
- Tax records must be kept at least until statute of limitations expires
- Certain tax returns much longer
- Keep source records (checks, receipts, and proof of business purpose) at least three years



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How Long to Keep Records (Cont'd)

- Until deduction no longer claimed
- Employment tax records, four years
- Assets, until sold or removed
- IRA contributions, permanently
- Broker statements, expiration of limitation period
- Improvements to residence, until sold
- Net operating losses, until statute of limitations expired on last tax return claiming a loss
- Follow state recordkeeping laws also



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IRS Resources

- Publication 15, Circular E - Employers Tax Guide
- Publication 463, Travel, Entertainment, Gift, and Car Expenses
- Publication 535, Business Expenses
- Publication 536, Net Operating Losses
- Publication 547, Casualties, Disasters and Thefts
- Publication 556, Examination of Returns, Appeal Rights & Claims



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IRS Resources

- Publication 594, The IRS Collection Process
- Publication 3498, The Examination Process
- Publication 5, Appeal Rights and Preparation of Protests for Unagreed Cases
- Circular 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service
- Publication 583, Starting a Business and Keeping Records



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IRS Resources (Cont'd.)

- Publication 225, Farmers Tax Guide
- Publication 1066-C, A Virtual Small Business Workshop CD
- Publication 2194, Disaster Losses Kit for Individuals
- Publication 2194B, Disaster Losses Kit for Businesses
- Publication 4758, Reconstructing Your Records
- Publication 4796, IRS Records at Your Fingertips
- Visit IRS.gov



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Tips for Small Business Success

*Walter Stamps, EDS SBA
Valley Glen, CA
July 20, 2016*



Keep Healthy

- Eat
- Exercise
- Stress
- Checkups
- Doctor

Know your numbers

- Get a competent accountant
- Understand your key ratios
- Know your break even point
- Be able to explain your numbers
- Have a regular “number session”



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Have a Team

- Accountant
- Banker
- Lawyer
- Insurance agent
- ADA specialist
- IT expert

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Planning

- The Business Plan
- Strategy sessions
- Your Exit Plan
- “What if?”



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Your Competition

- Know who they are
- What makes you special?
- Do you have a niche?
- Industry data

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Social Media

- What is the competition up to?
- Which forum(s) are best for your business
- Offer relevant useful content
- Constant barrages
- More visual
- Global leaders have embraced it
- Last three years – Facebook – and now....
- Evolution



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Prepare for the Unexpected

- 40 - 60% !
- Insurance Coverage
- Solid supply chain
- Alternate Location
- Not always an earthquake
- preparemybusiness.org/
- Ready.gov

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Your Voice

- Elevator pitch (20-30 seconds!)
- Your staff
- Reception/phones/First point of contact
- Would you do business with you?
- Public speaking



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Networking

- Business cards – options
- Networking events – have a plan
- Who do you know?
- Networking is constant
- Courtesies (names, follow up)
- YOU are your brand!



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Advisory Board

- Who
- Experience
- Number
- Avoid
- Pay
- Meetings
- Structure

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Passion

- It shows
- Necessary for success
- 40 vs. 80



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Take Advantage

- www.sba.gov
- RENI guide
- Resource partners
- Your local partners
- County, state

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Expectations

迎春接福

Greet the New Year and encounter happiness.

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SBA Los Angeles District Office

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Email: walter.stamps@sba.gov

Or visit our office web site at www.sba.gov

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2015

Forms of Ownership



Presented by
Small Business Education and Outreach Section

2015



State of California
Franchise Tax Board

Sole Proprietorships



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Sole Proprietorship Characteristics



<p>The simplest form of doing business.</p>	<p>No formal transfer of assets to start business.</p>	<p>Business' taxable year is the same as the owner's taxable year.</p>
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Sole Proprietorship Characteristics

The image shows a portion of the IRS Form 990, Schedule C (Profit or Loss from Business) for a sole proprietorship. The form is titled "Profit or Loss from Business" and "Sole Proprietorship". It includes sections for "Part I Income" and "Part II Expenses". The "Part I Income" section includes "Gross receipts or sales", "Less: Cost of goods sold", "Gross profit", "Less: Other expenses", and "Net profit or loss". The "Part II Expenses" section includes "Salaries and wages", "Retirement plan", "Health insurance", "Charitable contributions", "State and local taxes", "Other expenses", and "Total expenses".

- Sole proprietors use Schedule C to report the business' profit or loss on their Form 540 income tax returns whether distributed or not.
- Losses generally offset other income.
- Sole proprietor is not considered to be an employee of the business.

General Partnerships



Partnership Characteristics

Two or more persons carrying on a business for profit.

Flexible form of business and relatively easy to set up.



Partners decide the organization's structure and distribution of profits and losses.

A formal written agreement is advisable.

Partnership Characteristics

- Not a separate taxable entity.
- Partnership files informational return using Form 565.
- Partners report profit or loss on their individual Form 540 income tax returns whether distributed or not.
- Losses may be limited.

Most Commonly Used Legal Entities

Corporations

Limited
Liability
Companies

There are other less common legal entities types available. For more information see our publication FTB 1123, *Forms of Ownership*.



California Legal Entities

Formed by filing the appropriate documents or forms with the California Secretary of State.

Corporation

- Articles of Incorporation
- Various Forms
- Minimum Tax

Limited Liability
Company

- Articles of Organization
- Form LLC-1
- Annual Tax and Fee

Taxed annually until formally dissolved or cancelled.



2015



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Franchise Tax Board

C Corporations



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Franchise Tax Board

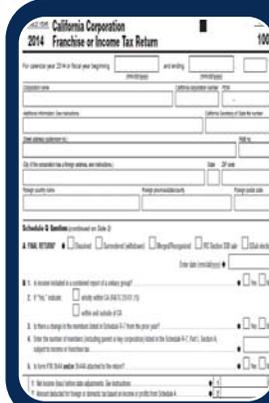
C Corporation Characteristics

A separate legal entity owned by shareholders.	Must register with SOS before conducting business.
Can be costly to set up and maintain.	Option of choosing an income year other than the calendar year.



State of California
Franchise Tax Board

C Corporation Characteristics



- Files using Form 100.
- Taxed annually on its earnings at a rate of 8.84% on net income.
- Subject to \$800 minimum tax.
- Shareholders taxed on distributed dividends.

S Corporations



S Corporation Characteristics



A separate legal entity owned by shareholders.



Must register with SOS before conducting business.



Election is made for S corporation status.

S Corporation Characteristics



No more than 100 shareholders.



Only one class of stock.



Shareholder can only be individuals, estates, or certain trusts.

S Corporation Characteristics

The image shows a thumbnail of the California S Corporation Franchise or Income Tax Return Form 100S for the year 2014. The form includes fields for the taxpayer's name, address, and other identifying information. It also features checkboxes for various tax options and instructions for filing.

- A hybrid business entity.
- Files using Form 100S.
- State tax rate of 1.5% of net income. Not subject to federal tax.
- Subject to \$800 minimum tax.
- Shareholders report profit or loss on their individual Form 540 income tax returns whether distributed or not.

Limited Liability Companies (LLC)



LLC Characteristics



A separate legal entity owned by members.



Must register with SOS before conducting business.



A hybrid business entity.



Restriction may apply to professional services that require a license, certification, or registration.

LLC Characteristics



IRS corporation classification: follow corporation rules.



IRS partnership classification: follow partnership rules.



For California only. A single member classification: follow sole proprietor rules.

LLC Characteristics Single Member and Partnership

A screenshot of the California Form 568, Limited Liability Company Return of Income. The form is titled "2014 Limited Liability Company Return of Income" and "568". It includes fields for the calendar year, taxpayer information, and checkboxes for various filing options and schedules.

- Single or partnership classified LLCs file using Form 568.
- Subject to \$800 annual tax.
- Maybe subject to an LLC fee based on total income (gross income plus cost of goods).
- Members report their share of profit or loss on Form 540 income tax returns whether distributed or not.

LLC Characteristics C Corporation Classification

A screenshot of the California Form 100, California Corporation Franchise or Income Tax Return. The form is titled "2014 California Corporation Franchise or Income Tax Return" and "100". It includes fields for the calendar year, taxpayer information, and checkboxes for various filing options and schedules.

- C Corporation classified LLCs file using Form 100.
- Taxed annually on its earnings at a rate of 8.84% on net income.
- Subject to \$800 minimum tax.
- Members receive profits and losses like C corporation shareholder.

LLC Characteristics S Corporation Election

A thumbnail image of the California S Corporation Franchise or Income Tax Return Form 100S. The form is titled "2014 California S Corporation Franchise or Income Tax Return 100S". It includes fields for the calendar year, tax year beginning and ending, and various checkboxes for election and reporting options.

- S Corporation classified LLCs file using Form 100S.
- State tax rate of 1.5% on net income. Not subject to federal tax.
- Subject to \$800 minimum tax.
- Members report their share of profit or loss on Form 540 income tax returns whether distributed or not.

Forms of Ownership Information



FTB Publication 1123, *Franchise Tax Board's Guide to Forms of Ownership*

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