



# Welcome to the Brentwood Small Business and Resource Seminar



**Fiona Ma, CPA**  
Chairwoman  
California State Board of  
Equalization  
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Board Member  
California State Board of  
Equalization  
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California State Senate  
District 7



**Assemblymember Jim Frazier**  
California State Assembly  
District 11



**Supervisor Mary Nejedly Piepho**  
Contra Costa County  
District 3



**Mayor Robert Taylor**  
City of Brentwood

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**October 19, 2016**

# Contact the Board of Equalization

1-800-400-7115

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

## Second District Offices

### Oakland

1515 Clay St., Ste. 303  
Oakland, CA 94612-1432  
Phone: 1-510-622-4100  
Fax: 1-510-622-4175

### Salinas

950 E. Blanco Road Suite 202  
Salinas, CA 93901  
Phone: 1-831-754-4500  
Fax: 1-831-755-7921

### San Francisco

Two Rincon Center  
121 Spear St., Ste. 460  
San Francisco, CA 94105-1584  
Phone: 1-415-356-6600  
Fax: 1-415-356-6115

### San Jose

250 South Second St.  
San Jose, CA 95113-2706  
Phone: 1-408-277-1231  
Fax: 1-408-277-1252

### Fairfield

2480 Hilborn Road, Suite 200  
Fairfield, CA 94534  
Phone: 1-707-427-4800  
Fax: 1-707-427-4815

### Santa Rosa

50 D St., Room 230  
Santa Rosa, CA 95404-4791  
Phone: 1-707-576-2100  
Fax: 1-707-576-2113

# Governor's Office of Business and Economic Development (GO-Biz)



# Overview and Activities

GO-Biz serves as California's single point of contact for economic development and job creation efforts, offering a range of services to business owners, including:

- Attraction, retention, and expansion services
- Permit streamlining and clearing of regulatory hurdles
- Small business assistance
- International trade development
- Assistance with state government
- Site selection



# New Unit at GO-Biz

- California Competes Tax Credit
- California Film Commission
- Visit California
- California Infrastructure Bank (I-Bank)
- Permits
- California Business Investment Services (CalBIS)
- International Affairs and Business Development
- Innovation and Entrepreneurship
- **Zero Emissions Vehicles Infrastructure - \*\*\*New\*\*\***
- Office of Small Business Advocate

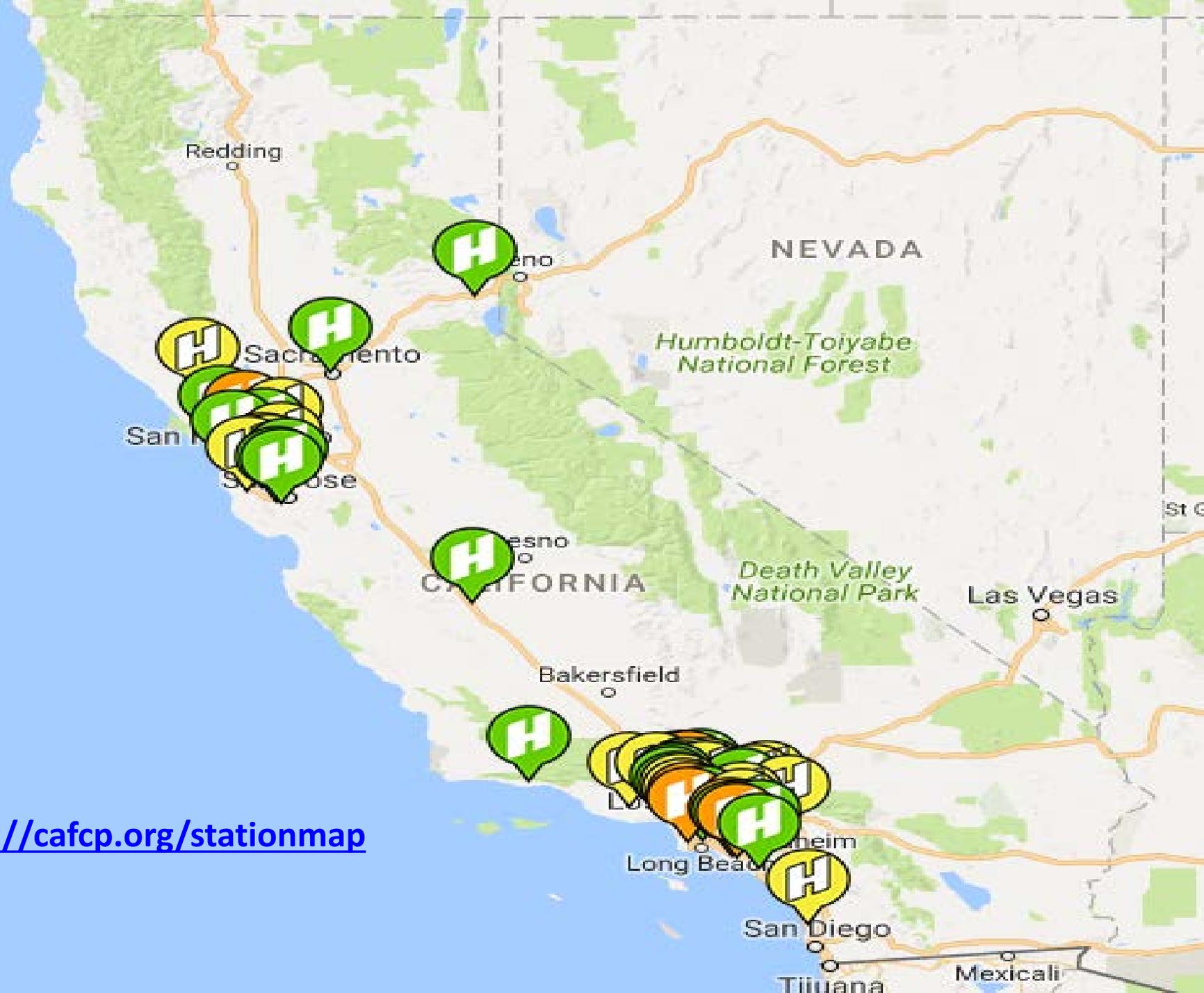


THE LINDE GROUP

*Linde*

Hydrogen.





<http://cafcp.org/stationmap>

# OFFICE OF SMALL BUSINESS ADVOCATE

GOVERNMENT CODE SECTION 12098-12098.9

“It is in the *public interest* to aid, counsel, assist and protect, insofar as is possible the interests of small business concerns in order to preserve free competitive enterprise and maintain a healthy state economy.”





# OFFICE OF SMALL BUSINESS ADVOCATE

## Core Activities

- Advocacy
- Information Gathering and Dissemination
- Agency Coordination
- Business Assistance

## Key Initiatives

- SBDC Capital Infusion Grant
- Seminars/Forums/Webinars
- Small Business Assistance  
Interagency Working Group
- In-the-Field Business Support
- CA Made



# BUSINESS ASSISTANCE: PERSONAL BUSINESS SUPPORT

- Between 5,000-6,000 Requests for Help Annually
- Sampling of Requests:
  - Setting up a new health care clinic in Los Angeles
  - Cost of starting a manufacturing plant in CA
  - Securing a business license
  - How does EB5 work
  - How to file for EIN
  - How to start an online business
  - How to secure international investment
  - How to start a non-profit



**When in doubt. Call us.**



# CAPITAL INFUSION PROGRAM

CIP helps small biz owners gain access to capital by expanding the no-cost consulting services of the CA SBDC Network, the largest small business technical assistance provider in the state.

Fiscal Year	State Dollars Committed	Capital Infusion Generated	Clients Served
2014-15	\$2,000,000	\$202,645,465	10,053
2015-16	\$2,000,000	\$123,110,384 (as of Q3)	6,478 (as of Q3)

For 2016-17, \$1.5M in general funding has been secured to support the program. The program is moving towards greater support for underserved communities e.g. rural, minority business, women-owned businesses, LMI areas, among others.

## California Small Business Development Center Network Service Areas



[www.casbdc.org](http://www.casbdc.org)



**Just Launched....  
A New Program**



# CA MADE. CA PROUD.

SUPPORT **CALIFORNIA MADE**  
**BUSINESSES** BY LOOKING FOR  
THE CA MADE LABEL!

[CAMADE.CA.GOV](http://CAMADE.CA.GOV)

Pennsylvania  
700



CA Made is a new state labeling program designed to encourage consumer product awareness and to promote the purchase of products manufactured in California.

Regulations were prepared by GO-Biz to administer the program. The regulations were approved by the Office of Administrative Law effective **June 7, 2016**.

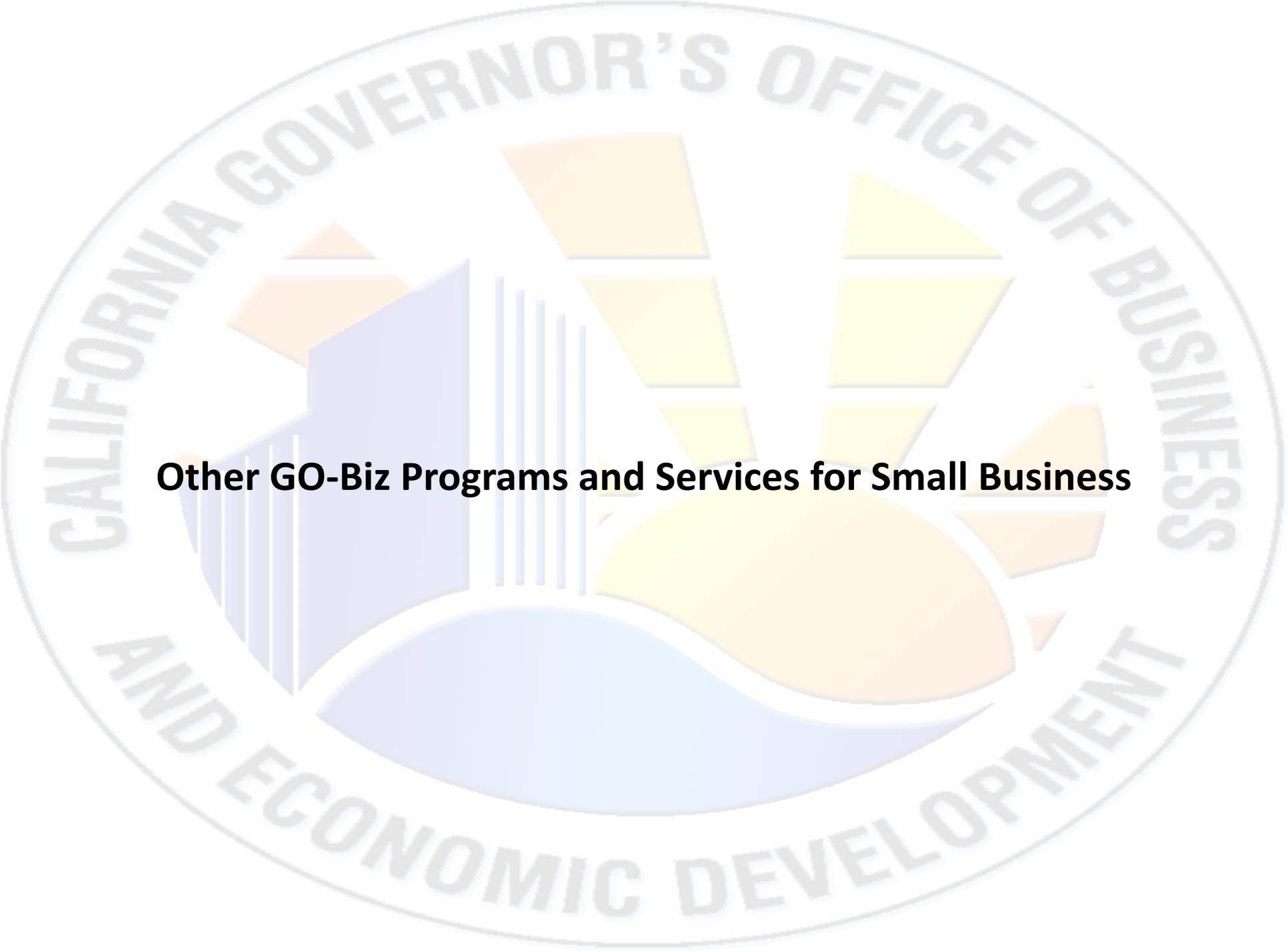
Program enrollment is scheduled to begin in spring/summer 2016.





## The Fine Print...

- 51% or more of a product's value added must be from California.
- The finished product must be able to lawfully use a "Made in U.S.A." label pursuant to Section 17533.7 of California's Business and Professions Code.
- Agricultural products subject to Buy California program are excluded.
- A third-party certification is required at least once every three years



**Other GO-Biz Programs and Services for Small Business**



California Competes Tax Credit  
Next Application Round

**January 2, 2017, through January 23, 2017 (\$100 million available)**

<http://business.ca.gov/Programs/CaliforniaCompetesTaxCredit.aspx>



# California Competes Tax Credit

As of June 16, 2016



## Fiscal Year 2015-16 Approved Tax Credit Agreements

Name	Primary Location(s)	Industry	Net Increase of Full-Time Employees	Investments	Amount of Tax Credit	Date Agreement Approved	Amount Recaptured
<a href="#">Faraday &amp; Future, Inc.</a>	Gardena, Rancho Dominguez, and San Jose	Automobile Manufacturing	1,990	\$311,117,460	\$12,725,000	April 14, 2016	
<a href="#">Nordstrom, Inc.</a>	Fresno or Visalia	Online Order Fulfillment Warehouse and Retail Distribution	367	\$171,000,000	\$11,000,000	April 14, 2016	
<a href="#">NextEV USA, Inc.</a>	San Jose and San Francisco	Automobile Manufacturing	917	\$138,315,000	\$10,000,000	June 16, 2016	
<a href="#">DWB Packers LLC</a>	Brawley	Beef Processing	605	\$38,500,000	\$6,000,000	June 16, 2016	
<a href="#">Snapchat, Inc.</a>	Venice Beach	Mobile Application Development	1,194	\$32,000,000	\$5,000,000	April 14, 2016	
<a href="#">Pacific Steel Group</a>	Fairfield, San Diego, and Los Angeles	Steel Reinforcing Contractors	249	\$900,000	\$4,000,000	November 10, 2015	
<a href="#">Magic Leap, Inc.</a>	Mountain View and Santa Monica	3D Technology Development	141	\$6,149,915	\$3,300,000	April 14, 2016	
<a href="#">NerdWallet, Inc.</a>	San Francisco	Online Personal Financial Services	792	\$18,348,000	\$3,250,000	November 10, 2015	
<a href="#">Pabst Brewing Company LLC</a>	Northern or Central California	Breweries	328	\$400,000,000	\$3,047,500	June 16, 2016	
<a href="#">GreenPower Motor Company, Inc.</a>	Porterville	Electric Bus Manufacturing	190	\$10,950,000	\$3,000,000	June 16, 2016	
<a href="#">Credit Karma, Inc.</a>	San Francisco	Online Personal Financial Services	795	\$27,736,002	\$2,800,000	November 10, 2015	
<a href="#">Stripe, Inc.</a>	San Francisco	Online Payment Processing	1,031	\$37,530,000	\$2,500,000	November 10, 2015	
<a href="#">Orbital ATK, Inc.</a>	Northridge	Aerospace Component Manufacturing	90	\$16,275,154	\$2,100,000	November 10, 2015	
<a href="#">Axis Energy Partners LLC</a>	Sacramento	Commercial LED Lighting Wholesaler	102	\$3,430,000	\$2,000,000	June 16, 2016	
<a href="#">Interra Energy, Inc.</a>	National City	Biofuel and Fertilizer Manufacturing	74	\$26,840,000	\$2,000,000	June 16, 2016	
<a href="#">CHC Consulting, LLC</a>	Orange, Carlsbad, and San Diego	Engineering and Telecommunications Consulting Services	211	\$740,000	\$2,000,000	November 10, 2015	
<a href="#">Figtree Company, Inc.</a>	San Diego	Commercial & Residential Lending	197	\$9,206,979	\$1,950,000	April 14, 2016	
<a href="#">OpenX Technologies, Inc.</a>	Pasadena, Culver City, and Menlo Park	Online Marketing & Advertising	354	\$22,500,000	\$1,947,000	April 14, 2016	
<a href="#">Millennium Space Systems, Inc.</a>	El Segundo	Aerospace Component Manufacturing	284	\$19,939,250	\$1,800,000	April 14, 2016	
<a href="#">Pride Resource Partners LLC</a>	San Diego	Architectural and Engineering Consulting Services	251	\$12,750,000	\$1,800,000	April 14, 2016	
<a href="#">Qico, Inc.</a>	San Diego	Cremation Equipment Manufacturing	80	\$14,500,000	\$1,600,000	June 16, 2016	
<a href="#">Triumph Fabrications - San Diego, Inc.</a>	El Cajon	Aerospace Component Manufacturing	100	\$12,027,432	\$1,500,000	June 16, 2016	
<a href="#">WISErg Corporation</a>	Colton	Organic Waste Collection & Composting	159	\$14,000,000	\$1,500,000	April 14, 2016	
<a href="#">International Business Machines Corporation</a>	San Francisco	Information Technology Services	84	\$89,906,667	\$1,500,000	November 10, 2015	\$1,500,000
<a href="#">Cerner Corporation</a>	Carlsbad, Garden Grove, and Culver City	Healthcare Information Technology and Revenue Management	108	\$3,900,000	\$1,500,000	November 10, 2015	
<a href="#">Caylvm Technologies International, LLC</a>	Fresno	Fire Suppression and Flood Containment Product Manufacturing	53	\$3,457,500	\$1,500,000	November 10, 2015	
<a href="#">AMPAC Fine Chemicals LLC</a>	Rancho Cordova and El Dorado Hills	Pharmaceutical Manufacturing	135	\$98,000,000	\$1,250,000	April 14, 2016	
<a href="#">Denso International America, Inc.</a>	Long Beach, Murrieta, Vista, and Compton	Automotive Parts Manufacturing	48	\$38,270,500	\$1,243,587	June 16, 2016	
<a href="#">Sacramento Venture One LLC</a>	McClellan	Data Center Construction and Management	58	\$475,200,000	\$1,200,000	June 16, 2016	
<a href="#">Ambray Genetics Corporation</a>	Alsa Viejo	Medical Laboratories	268	\$40,500,000	\$1,150,000	November 10, 2015	
<a href="#">Lineage Logistics Holdings LLC</a>	Oakland	Refrigerated Warehousing and Storage	532	\$91,500,000	\$1,100,000	April 14, 2016	
<a href="#">ATK Space Systems, Inc.</a>	San Diego	Aerospace Component Manufacturing	38	\$5,250,000	\$1,000,000	April 14, 2016	
<a href="#">Axis Medical Technologies LLC</a>	San Diego	Healthcare Information Technology	175	\$2,763,000	\$1,000,000	April 14, 2016	
<a href="#">L-3 Communications Electron Technologies, Inc.</a>	Torrance	Communication Satellite Component Manufacturing	105	\$25,318,140	\$1,000,000	April 14, 2016	
<a href="#">Lite Machines Corporation</a>	Vista, Carlsbad, or other location in San Diego County	Unmanned Aerial Systems Manufacturing	90	\$8,500,000	\$1,000,000	April 14, 2016	
<a href="#">BrightSign, LLC</a>	Los Gatos and Santa Clara	Digital Signage Development	63	\$3,784,273	\$1,000,000	November 10, 2015	
<a href="#">TriWest Healthcare Alliance Corp</a>	Rancho Cordova and San Diego	Healthcare Administration	488	\$1,624,270	\$1,000,000	November 10, 2015	

## Sample of Past Awardees \$30K and Below

- California Pacific Specialty Woods, LLC - Red Bluff - Lumber Harvesting
- Trader Boys, Inc. - Los Angeles - Furniture Sales
- Agilis Group, Inc. - San Diego - Healthcare Information Technology Services
- G.L. Anderson Insurance Services, Inc. - Folsom - Insurance Agencies and Brokerages
- Elite Power, Inc. - Sacramento - Electrical Contracting
- Cal-Delta Plumbing, Inc. - Sacramento - Plumbing, Heating, and Air-Conditioning Services
- Miner Financial & Insurance - Gold River - Financial & Insurance Services
- SMT, Inc. - Sacramento - Translation and Interpretation Services
- Climate Control, Inc. - Sacramento - Heating and Air-Conditioning Installation and Repair Services
- Solterra Lighting, Inc. - Carlsbad - Commercial Lighting Wholesaler
- Wilmington Instrument Co. - Wilmington - Diagnostic Test Equipment & Services
- MW McWong International, Inc. - Sacramento - Commercial LED Lighting Manufacturing
- Daniel Dubois CPA & Company, Inc. - Aliso Viejo - Accounting Services

# GO-BIZ UNIT: PERMIT ASSISTANCE

## Core Activities

- Works with State departments and local governments to help businesses comply with regulations.
- The permitting team also administers the state's on-line permit assistance tool for businesses, CalGOLD.



**PERMIT**  
Assistance

## Key Initiatives

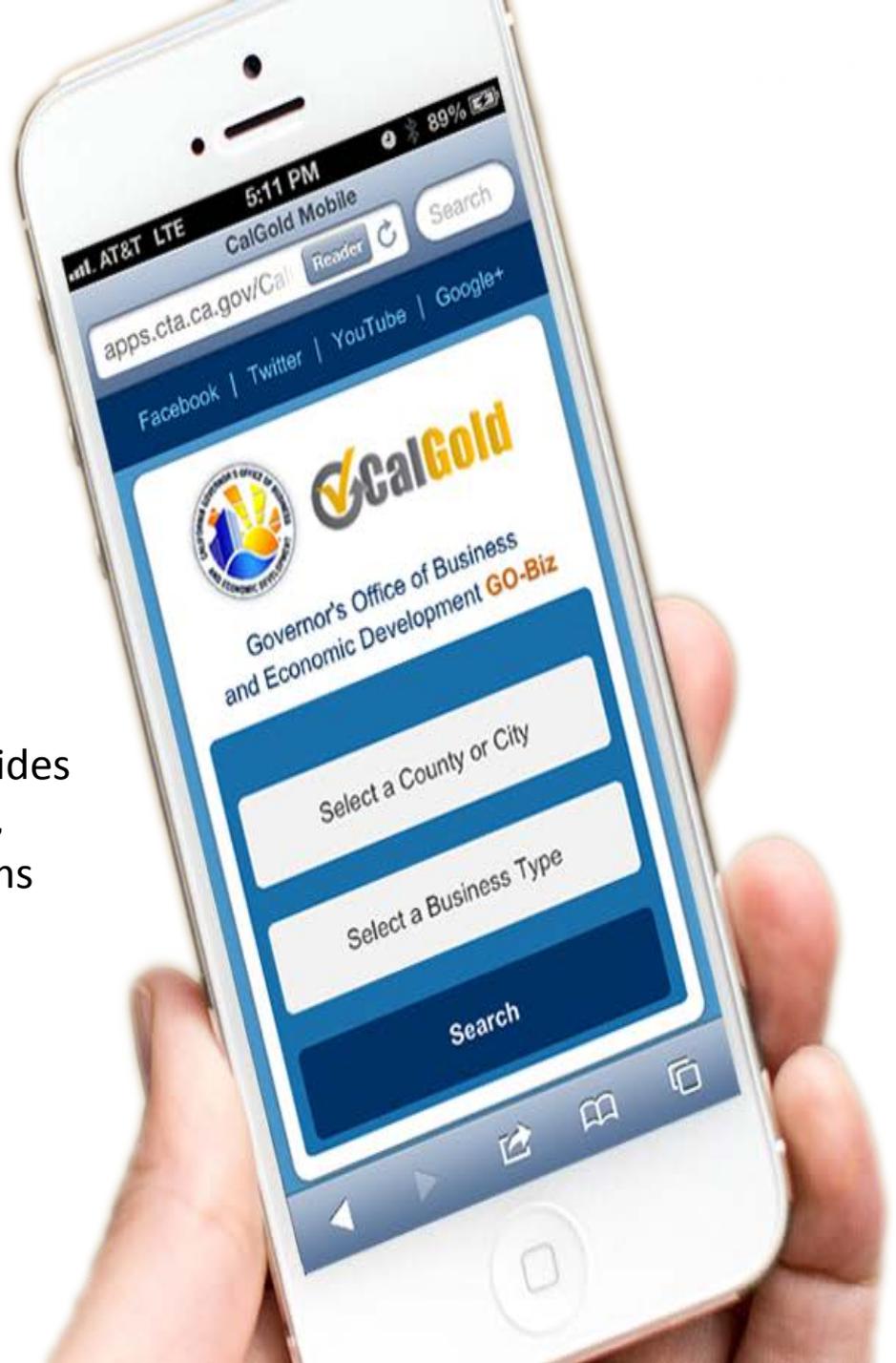
- Environmental Permit Streamlining
- CalGOLD





[www.calgold.ca.gov](http://www.calgold.ca.gov)

An online permit assistance tool that provides a listing of federal, state and local permits, webpage links, addresses, application forms and phone numbers for over 150 business types. More than 15,000 new visitors use CalGOLD each month.





Governor's Office of Business  
and Economic Development **GO-Biz**

[GO-BIZ HOME](#)[CALGOLD HOME](#)[FAQ](#)[CONTACT US](#)

This website assists you in finding appropriate permit information for your business. It also provides contact information for the various agencies that administer & issue these permits.

Select a City or County

Ex. Oakland, Kern County, Ventura

Enter Business Type(s) [view all](#)

Ex. Dentist, Car Wash, Restaurant

Interested in having a green business? [learn more about green businesses](#)**Search**

### Not sure of your business type?

Not finding your business type listed?  
Simply enter the words "General Business"

### About CalGOLD

[▶ Frequently Asked Questions](#)

### Find a Local Resource



Our Mapping tool is a great way to find business



# Governor's Office of Business and Economic Development **GO-Biz**

- GO-BIZ HOME
- CALGOLD HOME
- FAQ
- CONTACT US



This website assists you in finding appropriate permit information for your business. It also provides contact information for the various agencies that administer & issue these permits.

Select a City or County

Enter Business Type(s) [view all](#)

Ex. Oakland, Kern County, Ventura

kern

- Arvin - Kern County
- Bakersfield - Kern County**
- California City - Kern County
- Delano - Kern County
- Maricopa - Kern County
- McFarland - Kern County
- Ridgecrest - Kern County
- Shafter - Kern County



### Not sure of your business type?

Not finding your business type listed? Simply enter the words "General Business"

Al [Frequently Asked Questions](#)



Our mapping tool is a great way to find business



This website assists you in finding appropriate permit information for your business. It also provides contact information for the various agencies that administer & issue these permits.

Select a City or County

Bakersfield - Kern County

Enter Business Type(s) [view all](#)

Ex. Dentist, Car Wash, Restaurant

Food

Food (Health) Supplement Store

Food Manufacture

Grocery Store

Other Direct Selling Establishment

Pet and Pet Supplies Store

Restaurant

Sidewalk and Street Vending



**Not sure of your business type?**

Not finding your business type listed?  
Simply enter the words "General Business"

A

ce

great

# GO-BIZ UNIT: IBANK

## SMALL BUSINESS LOAN GUARANTEE PROGRAM

Encourages lenders to make small business loans to those businesses having difficulty obtaining access to capital. Special emphasis is placed on the expansion of business and the creation and retention of jobs in California.

Financial institutions, credit unions, and Community Development Finance Institutions (CDFI's) may make small business loans directly to the small business concern with the State Guarantee to minimize their risk of capital. Financial Development Corporation's (FDC's) work with the lenders to issue a guarantee for up to 80% of the loan on behalf of the State. The FDC is an agent of the IBank Small Business Loan Guarantee Program. There are 9 Financial Development Corporations in the state.

**Maximum loan amount: \$20,000,000**



# Business permits and other requirements in the City of Bakersfield (Kern County) for business types:

- Restaurant [Pollution Prevention Tips](#)

Permits & Licenses

Resources Available to Help You

[Print List](#)

## Building Permits

Required in most cases when you plan to make changes to the interior or exterior of the building you plan to occupy (i.e. construction, alterations, electrical, mechanical, plumbing).

**applies to:**  
Restaurant

### City of Bakersfield

Community Development  
Building Department  
1715 Chester Avenue  
Bakersfield, CA, 93301  
Phone: 661-326-3000  
[website](#)

city

## Filter Permits & Licenses

Level of Government: [all](#) [none](#)

- City
- County
- Regional
- State
- Federal

**Filter Results**

## Business Tax Registration Certificate (Business License)

Required for every business located within the incorporated city limits.

**applies to:**  
Restaurant

### City of Bakersfield

Finance Department  
Business License Section  
1715 Chester Avenue  
Bakersfield, CA, 93301  
Phone: 661-326-3742  
[website](#)

city

**Filter Results**

## Fire Safety Inspections

Businesses are subject to an inspection annually, for conditions as required in the Uniform Fire Code. Additionally, the Fire Department offers a variety of public safety programs & presentations at no cost, such as ( ) Earthquake Preparedness, ( ) Home & Workplace Fire Safety, and many more!

### City of Bakersfield

Fire Department  
Fire Prevention Division  
1715 Chester Avenue  
Bakersfield, CA, 93301  
Phone: 661-326-3911

city

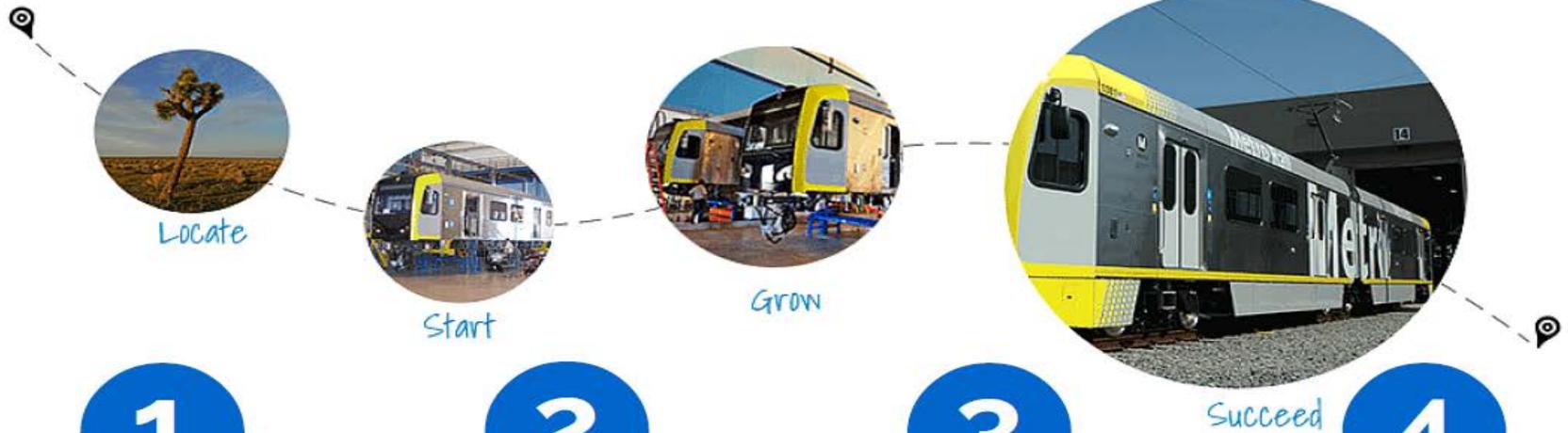
**Contact Information**



Cal-BIS provides no-fee, tailored site selection services to employers, corporate real estate executives, and site location consultants who are considering California for relocation and/or expansion. A wide array of consultation services are offered, including:

# CalBIS

## BUSINESS INVESTMENT SERVICES



1

### Site Selection

- Free and confidential site selection services
- Provides economic and demographic data

2

### Liaison for Other State Agencies

- State and local permit assistance
- Transportation and infrastructure info

3

### Expansion in California

- Labor availability and education information
- Financial assistance and loan programs

4

### Tax Credits and Incentives

- Governor's Economic Development Initiative
- Employment Training Panel

# **GO-BIZ UNIT: INNOVATION AND ENTREPRENEURSHIP**

**The iHub program improves the state's national and global competitiveness by stimulating partnerships, economic development, and job creation around specific research clusters through state-designated iHubs. The iHubs leverage assets such as research parks, technology incubators, universities, and federal laboratories to provide an innovation platform for startup companies, economic development organizations, business groups, and venture capitalists.**

Louis Stewart  
Deputy Director  
GO-Biz

[Louis.Stewart@gov.ca.gov](mailto:Louis.Stewart@gov.ca.gov)

# GO-BIZ UNIT: INTERNATIONAL TRADE AND INVESTMENT



**\$165.4** billion in  
California exports in  
2015.

The International Affairs and Business Development unit works to drive business for California and to address barriers to the Golden State's continued global economic strength. The unit provides critical support on issues relating to international trade and investment opportunities, foreign relations, international agreements and partnerships with the countries that have a friendly relationship with California.

**Happening Now!** \$747,000 California STEP Grant available to support and promote exports for California small businesses across all sectors!



# [www.businessportal.ca.gov](http://www.businessportal.ca.gov)

- An online one-stop for business owners.
- Includes:
  - California Business Navigator – custom information based on your business type
  - Service Desk – Information to commonly asked questions
  - Access to CalGOLD
  - Mapping tool to help you help your company identify local business resources, regulatory boundaries and available incentives
  - Quickstart Business Guides



CALIFORNIA  
BUSINESS  
PORTAL

[www.business.ca.gov](http://www.business.ca.gov)



@CAGoBiz



Facebook/CAGoBiz

Contact

US!



[Jesse.Torres@gov.ca.gov](mailto:Jesse.Torres@gov.ca.gov)

(818) 486-0425 cell

[Megan.Hodapp@gov.ca.gov](mailto:Megan.Hodapp@gov.ca.gov)



***Welcome to the  
State Board of Equalization***

***Basic Sales and Use Tax Class***

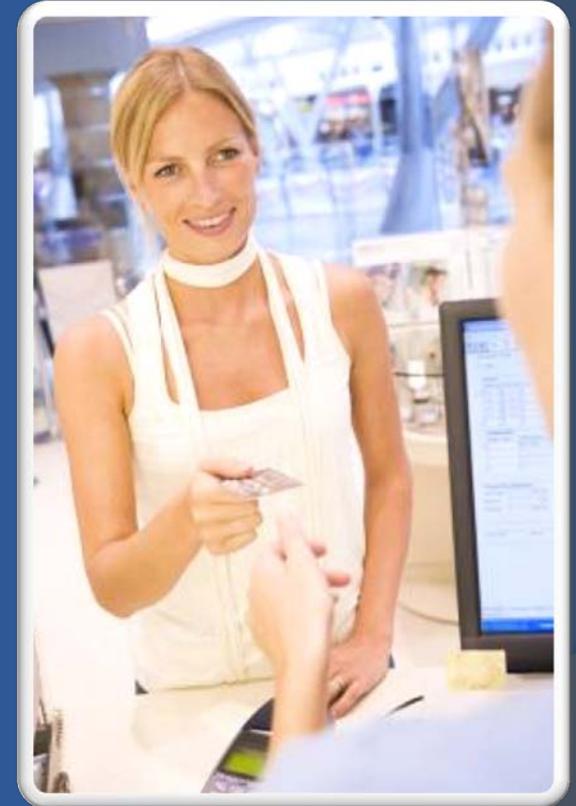
***Presented by: Zachary (Zac) Beshore  
& Randall (RJ) Chatigny***

# Presentation Objectives

- ❖ To provide a basic understanding of the Sales and Use Tax Law
- ❖ To teach business owners how to avoid common mistakes
- ❖ Services available to business owners

# A Seller's Permit ...

- ❖ Allows sales to be made in California.
- ❖ Must be issued in the owner's name for each business address.
- ❖ Does not allow buying items for personal use without paying tax.



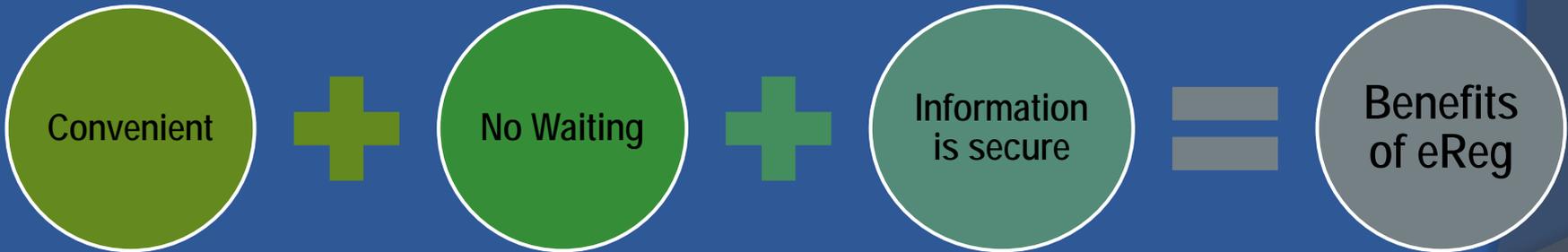


# Do I Need a Seller's Permit?

- ❖ Every person, (i.e. individual, firm, partnership, corporation, etc.,)
- ❖ Engaged in the business of selling or leasing tangible personal property
- ❖ Wholesalers, as well as retailers, must secure such permit.
- ❖ No fee is required to obtain a permit



**Doing Business Just Got Easier**  
with  
**e·reg**  
Electronic Registration & More



**ONLINE SERVICES**

**Register, File, Pay, And More...**

**Access Anywhere Anytime**

Overview

Register/Renewals

File a Return

Make a Payment

Request Relief

Payment Plan

## Online Services - Overview

Customers with a **user ID** or an **express login code** ready to file or submit a payment, may log in here on our secure site.

[Log in](#)

### Register for a Permit, License, or Account

You can [register online](#) for most sales and use tax accounts and special tax and fee programs, including, but not limited to:

- ➔ Seller's Permit
- ➔ International Fuel Tax Agreement (IFTA)
- ➔ Timber Yield Tax
- ➔ California Fuel Trip Permit
- ➔ Annual Flat Rate Decals

You can also use the registration system to:

- ➔ Pay Use Tax

# What Is A Sale?

Any transfer of title or possession, of tangible personal property for consideration, *regardless* of when payment is received.





# What Is Sales Tax?

⇒ Sales tax is imposed upon the retailer (seller) on the sale of tangible personal property at retail in the State of California.

⇒ Retailer may be reimbursed for the sales tax by their customers.

⇒ Tax is due based upon the gross receipts from retail sales.

# Presumptions of the Sales and Use Tax Law

- ❖ All sales of tangible personal property are taxable unless otherwise specifically exempted.
- ❖ Claimed exemptions must be supported by documentation.
- ❖ Taxpayer is responsible for maintaining and providing documentation for potential examination.



# What Is Use Tax?

- ❖ California purchaser owes and must pay the use tax due on items purchased for use, stored, consumed, or given away in California (without payment of tax).
- ❖ Out-of-state retailers “engaged in business” in California must collect and pay use tax on items sold to California consumers.



# When Might Use Tax Be Due?

## Example 1

Inventory items purchased with a resale certificate without payment of tax



Items withdrawn from inventory for use other than resale (including use as gifts and free samples or for personal use)



Use Tax Due

### Resale Inventory



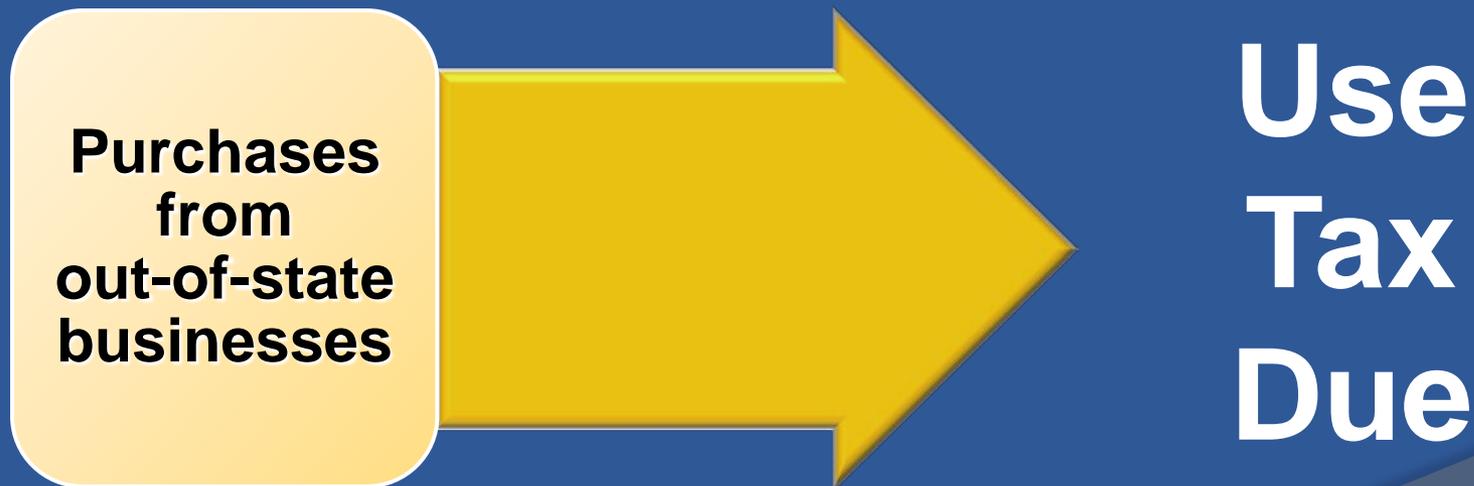
Billy's Bikes



# When Might Use Tax Be Due?

## Example 2

Items purchased without payment of California sales or use tax:



# Common Exemptions & Deductions



**Sales for Resale**



**Labor**



**Sales in Interstate and Foreign Commerce**



**Sales Tax Included in Gross Receipts**



# Sales for Resale

If you purchase tangible personal property for resale, the transaction is not subject to sales or use tax provided the sale is properly documented.

As a result, your supplier will ask you to provide a resale certificate as proof that the property was purchased for resale.

The certificate must be taken on a timely basis and it must include certain specific information.

Publication 73 – *Your California Seller's Permit (includes a copy of a resale certificate)*

Publication 42 – *Resale Certificate Tips*

Publication 103 – *Sales for Resale*

# Essential Elements of a Resale Certificate

Name and address of the purchaser's business

Purchaser's seller's permit number

Description of the property to be purchased

A statement that the described property is being purchased for resale

Date of the document.

Signature of the purchaser, purchaser's employee, or authorized representative.

Available in Regulation 1668, Publication 73, and the BOE website, Form BOE-230.

Must be filled out completely

Must be taken timely and in good faith.

### California Resale Certificate

**I HEREBY CERTIFY:**

1. I hold valid seller's permit number: \_\_\_\_\_

2. I am engaged in the business of selling the following type of tangible personal property:

\_\_\_\_\_

3. This certificate is for the purchase from \_\_\_\_\_ of the item(s) I have listed in paragraph 5 below. [Vendor's name]

4. I will resell the item(s) listed in paragraph 5, which I am purchasing under this resale certificate in the form of tangible personal property in the regular course of my business operations, and I will do so prior to making any use of the item(s) other than demonstration and display while holding the item(s) for sale in the regular course of my business. I understand that if I use the item(s) purchased under this certificate in any manner other than as just described, I will owe use tax based on each item's purchase price or as otherwise provided by law.

5. Description of property to be purchased for resale:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

6. I have read and understand the following:

**For Your Information:** A person may be guilty of a misdemeanor under Revenue and Taxation Code section 6094.5 if the purchaser knows at the time of purchase that he or she will not resell the purchased item prior to any use (other than retention, demonstration, or display while holding it for resale) and he or she furnishes a resale certificate to avoid payment to the seller of an amount as tax. Additionally, a person misusing a resale certificate for personal gain or to evade the payment of tax is liable, for each purchase, for the tax that would have been due, plus a penalty of 10 percent of the tax or \$500, whichever is more.

NAME OF PURCHASER \_\_\_\_\_

SIGNATURE OF PURCHASER, PURCHASER'S EMPLOYEE OR AUTHORIZED REPRESENTATIVE \_\_\_\_\_

PRINTED NAME OF PERSON SIGNING \_\_\_\_\_ TITLE \_\_\_\_\_

ADDRESS OF PURCHASER \_\_\_\_\_

TELEPHONE NUMBER \_\_\_\_\_ DATE \_\_\_\_\_  
( )

Copies of [BOE-230, California Resale Certificate](#) are available on our website and from our Information Section [faxback service](#).

# Sample Resale Certificate

## California Resale Certificate

**VALLEY MUSIC COMPANY**

(Name of Purchaser)

**15350 Sherman Way, Van Nuys, CA**

(Address of Purchaser)

I HEREBY CERTIFY: That I hold valid seller's permit No. SR AC 99-999999  
issued pursuant to the Sales and Use Tax Law; that I am engaged in the business of  
selling Musical Instruments

that the tangible property described herein which I shall purchase from  
STEINWAY PIANO COMPANY

will be resold by me in the form of tangible personal property; provided  
however, that in the event any of such property is used for any purpose  
other than retention, demonstration, or display while holding it for sale  
in the regular course of business, it is understood that I am required by  
the Sales and Use Tax Law to report and pay tax, measured by the  
purchase price of such property or other authorized amount.

Description  
of the property to be purchased: PIANOS

Date: Jan 30 19 96

John Doe

(Signature of Purchaser or Authorized Agent)

PRESIDENT

(Title)

# Essential Elements of a Resale Certificate



## Good Faith

A seller will be presumed to have taken a resale certificate in good faith if it contains the essential elements and otherwise appears to be valid on its face.

# Verify a Seller's Permit



**Call 1-888-225-5263**



**Access our online resale  
verification program by  
accessing our website at  
[www.boe.ca.gov](http://www.boe.ca.gov)**



**Free BOE app on smart phones  
and tablets (iPhones/iPads)**

# Penalties for Misuse of Resale Certificates

Misuse of a resale certificate is a *misdemeanor*.

The penalty is \$500 or 10% of the amount of tax per transaction, whichever is greater.

Business owners can be held responsible for the actions of their employees.

# Purchase Order Used in Addition to Resale Certificate

## PURCHASE ORDER

<input checked="" type="checkbox"/> For Resale	SR AC 99-999999	Number - 123456	
<input type="checkbox"/> Taxable		Date -3/5/00	
4000	Widgets	\$2.00 each	\$8000.00

- ❖ Must specifically state “For Resale” or other similar terminology.
- ❖ Purchase Orders that state “For Resale” must contain the same information as required for a resale certificate

# Exemption Certificate

## California Sales Tax Exemption Certificate

NATIONAL PRODUCE DISTRIBUTING

(Name of Purchaser)

6150 VAN NUYS BOULEVARD, VAN NUYS, CA

(Address of Purchaser)

I HEREBY CERTIFY: That I hold valid seller's permit No. NOT REQUIRED (sales of produce are not subject to tax) issued pursuant to the Sales and Use Tax Law; that I am engaged in the business of selling FRESH PRODUCE that the tangible property described herein which I shall purchase from CANOGA FARMS will be used as PACKAGING FOOD FOR HUMAN CONSUMPTION. I understand that if the property is used for some other manner or some other purpose, I am required by the Sales and Use Tax Law to report and pay any applicable sales or use tax.

Description of the property to be purchased: BASKETS & BOXES FOR FOOD ITEMS

Date: Jan. 30, 2012

Bob Jones

(Signature of Purchaser or Authorized Agent)

PRESIDENT

(Title)

- ❖ Similar to resale certificate
- ❖ Issued when property will be used in a manner or purpose qualifying the sale to be exempt from sales tax
- ❖ The reason why the purchaser is not required to hold a Seller's Permit must be written on the certificate

# Labor Repair & Installation

## Non-Taxable Labor:

- ❖ Labor repair
- ❖ Installation

**Fabrication and Assembly Labor are taxable!** Fabrication is considered to be work done in creating, producing, processing, or assembling a product.

Publication 108 – *Labor*

Publication 9 – *Construction and Building Contractors*

Publication 25 – *Auto Repair Garages and Service Stations*

Publication 34 – *Motor Vehicle Dealers*

Publication 35 – *Interior Designers and Decorators*

Publication 37 – *Graphic Design, Printing, and Publishing*

Publication 62 – *Locksmiths*

Publication 125 – *Dry Cleaners*



# Sales in Interstate and Foreign Commerce

- ❖ Title or possession must pass outside of California's borders.
- ❖ Must be shipped out of state by common carrier or retailer's facilities.
- ❖ If change of possession or title occurs in California, the sale is taxable unless otherwise exempt.
- ❖ Must maintain shipping or export documents.



# Sales Tax Included in Gross Receipts

- ❖ Invoice should state “Price includes sales tax”, not “Includes all applicable taxes.”
- ❖ Post a clearly visible sign at the business premises, or include on a price tag or advertisement one of the following notices:

*“All prices of taxable items include sales tax reimbursement computed to the nearest mill”*

*or*

*“The price of the item included sales tax reimbursement computed to the nearest mil”*

# Sales Tax Included in Gross Receipts

- ❖ When sales tax is included in the gross receipts, the tax amount needs to be deducted in order to reach the taxable measure.
- ❖ To find the ex-tax taxable measure when tax is included, divide sales by 1+ the tax rate.

(example with 8.25% tax rate)

$$10.00 \div 1.0825 = 9.24$$

$$10.00 - 9.24 = .76 \text{ tax included}$$

If the amount you reported as gross receipts includes sales tax, you must deduct “sales tax included” on the deductions tab of your return or report the calculated ex-tax gross receipts and take no deduction.



# Other Exemptions & Deductions

**Delivery Charges** – Non taxable if shipped by common carrier & actual cost charged to customer. If more than cost or own vehicle used and item sold is exempt then non-taxable. (Publication 100 & Regulation 1628)

**Bad Debts** - Deductible only for previously reported taxable sales that have been written off on the business owner's books and records. (Regulation 1642)

**Tax-paid Purchases Resold Prior to Use** – If a vendor charged tax for your inventory items. (Regulation 1655)

**Returned Taxable Merchandise** – Retailer must refund the customer's entire sales amount including sales tax.

**Numerous Other Exemptions** - See Publication 61, Sales and Use Taxes: Exemptions and Exclusions

# Required records must be maintained for at least 4 years



Records of sales including: sales invoices, cash register tapes, sales journals, etc.



Records of purchases including: purchase invoices, cancelled checks, purchase journals, etc.



Documentation to support claimed exemptions such as: resale certificates, exemption certificates, purchase orders, shipping documents, etc.

	A	B	C	D
1	List1	Quantity	Price per Unit L1	
2	Item1	5	5	
3	Item2	7	6	
4	Item3	4	3	
5	Item4	3	3.5	
6	Item5	2	4.5	
7				
8	List2	Quantity	Price per Unit L2	
9	Item1	5	5	
10	Item2	7	6	
11	Item3	4	3	
12	Item6	8	3.5	
13	Item7	7	4.5	
14				
15	Consolidate Lists	Quantity	Price per Unit L1	Price per Unit L2
16				
17	Item1	10	5	5
18	Item2	14	6	6
19	Item3	4	3	
20	Item4	3	3.5	
21	Item5	4	4.5	3
22	Item6	8	3.5	
23	Item7	7	4.5	

Normal books of account.



Schedules or working papers used in preparing tax returns.

# Other Important Facts and Responsibilities

Advise the BOE of ownership changes. This may affect your liability for future taxes.

Advise the BOE of changes in business, mailing, and email addresses.

Retailers should report sales in the return period when the sale is made even though payment may be received in a later return period.

Retailers are responsible for payment of sales tax even when the customer does not pay it.



# Other Online Services Available

## BOE Website ([www.boe.ca.gov](http://www.boe.ca.gov))

- ❖ Online Verification of Seller's Permit Numbers
- ❖ Enhanced Tutorials
- ❖ Email Notification Lists
- ❖ Class & Seminar Schedules
- ❖ Publications Specific to Your Type of Business
- ❖ Frequently Asked Questions (FAQ's)
- ❖ Directory of BOE Offices
- ❖ Tax News, Special Notices
- ❖ Credit Card Payments
- ❖ Useful Links to Other Websites

# Taxpayer Information Section



Taxpayer Information Section  
(general tax questions  
answered)  
1-800-400-7115  
Mon – Fri, 8:00 a.m. to 5:00 p.m.



24 hr. fax-back service for  
commonly requested forms and  
publications to choose from  
automatically faxed back to you.



24 hr voice recordings on  
specific topics  
1-800-735-2929



# Taxpayers' Rights Advocate

888-324-2798

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

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



# Get It in Writing

## Revenue and Taxation Code section 6596 - Excusable Delay-Reliance on Advice, states:



“If the Board finds that a person’s failure to make a timely return or payment is due to the person’s reasonable reliance on written advice from the Board, the person may be relieved of taxes imposed by §6051 and §6201 and any penalty or interest added thereto...”.

We wish you success  
in your business venture!





# 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

# Necessity of Books and Records

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

# Necessity of Books and Records

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

# Books and Records

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

# 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

# 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

# Record Types Needed

## Gross Receipts

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

# Record Types Needed Purchases and Expenses

- Amount paid
- Amount was for business purchases

# Record Types Needed (Cont'd)

Charitable Contributions, Travel, Transportation, Entertainment, Gifts

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

# Record Types Required Employment Taxes

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

# 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

# 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

# Responsibility of Books and Records

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

# 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

# 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

# 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

# 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

# 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](http://IRS.gov)



STATE OF CALIFORNIA  
**Franchise Tax Board**

# Forms of Ownership



Presented by

**Small Business Education and Outreach Section**



# Sole Proprietorships



# Sole Proprietorship Characteristics



The simplest form of doing business.

No formal transfer of assets to start business.

Business' taxable year is the same as the owner's taxable year.

# Sole Proprietorship Characteristics

**SCHEDULE C**  
(Form 1040)

**Profit or Loss From Business**  
(Sole Proprietorship)

OMB No. 1545-0047

2014  
Attachment  
Sequence No. 09

Department of the Treasury  
Internal Revenue Service (IRS)

Information about Schedule C and its separate instructions is at [www.irs.gov/schedulec](http://www.irs.gov/schedulec).  
Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor Social security number (SSN)

A Principal business or profession, including product or service (see instructions)

B Enter code from instructions

C Business name, if no separate business name, leave blank

D Employer ID number (EIN), (see note)

E Business address (including suite or room no.)  
City, town or post office, state, and ZIP code

F Accounting method: (1)  Cash (2)  Accrual (3)  Other (specify) \_\_\_\_\_

G Did you "materially participate" in the operation of this business during 2014? If "No," see instructions for limit on losses  Yes  No

H If you started or acquired this business during 2014, check here

I Did you make any payments in 2014 that would require you to file Form(s) 1099? (see instructions)  Yes  No

J If "Yes," did you or will you file required Form(s) 1099?  Yes  No

**Part I** Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked.	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 4)	4	
5	Gross profit. Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	

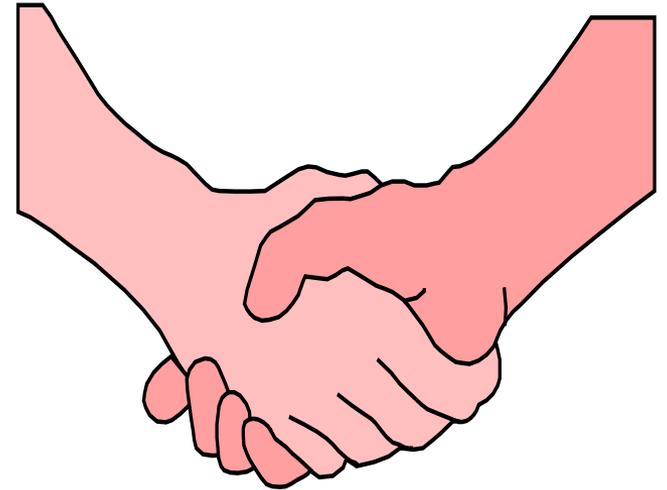
**Part II** Expenses. Enter expenses for business use of your home only on line 30.

- Sole proprietors use Federal 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.





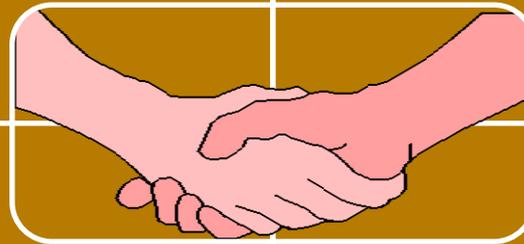
# General Partnerships



# 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

2014 Partnership Return of Income 565

For calendar year 2014 or fiscal year beginning (m m / d d / y y y y) and ending (m m / d d / y y y y)

Partnership name (type or print). Check box if name changed  A FEIN

Additional information B California Secretary of State (SOS) file number

Street Address (suite, room, PO Box) PMB no. C Principal business activity name (same as federal)

City (if the partnership has a foreign address, see instructions.) State ZIP Code D Principal product or service (same as federal)

Foreign Country Name Foreign Province/State/County Foreign Postal Code

E Check accounting method (1)  Cash (2)  Accrual (3)  Other (attach explanation) F Date business started in CA (m m / d d / y y y y) G Enter total assets at end of year. See instructions.

H Check the applicable box (1)  Initial return (2)  FINAL RETURN (3)  Amended return I Principal business activity code (same as federal)

**Caution:** Include only trade or business income and expenses on line 1a through line 22 below. See the instructions for more information.

1	a Gross receipts or sales \$	b Less returns and allowances \$	c Balance	1c	00
2	Cost of goods sold (Schedule A, line 8)			2	00
3	GROSS PROFIT. Subtract line 2 from line 1c			3	

- 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.





# C Corporations



# 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.



# C Corporation Characteristics

The image shows a portion of the California Corporation Franchise or Income Tax Return Form 100 for the year 2014. The form includes fields for the calendar year, corporation name, California corporation number, FEIN, and address. It also contains a 'Schedule Q Questions' section with several questions regarding the corporation's status and tax treatment.

**2014 California Corporation Franchise or Income Tax Return 100**

For calendar year 2014 or fiscal year beginning (mm/dd/yyyy) and ending (mm/dd/yyyy)

Corporation name California corporation number FEIN

Additional information. See instructions. California Secretary of State file number

Street address (suite/room no.) PMS no.

City (if the corporation has a foreign address, see instructions.) State ZIP code

Foreign country name Foreign province/state/country Foreign postal code

**Schedule Q Questions (continued on Side 2)**

**A FINAL RETURN?**  Dissolved  Surrendered (withdrawn)  Merged/Reorganized  IRC Section 338 sale  S/Sub election  
Enter date (mm/dd/yyyy) ●

**B 1.** Is income included in a combined report of a unitary group? ..... ●  Yes  No

**2.** If "Yes," indicate:  wholly within CA (R&TC 25101.15)  
 within and outside of CA

**3.** Is there a change in the members listed in Schedule R-7 from the prior year? ..... ●  Yes  No

**4.** Enter the number of members (including parent or key corporation) listed in the Schedule R-7, Part I, Section A, subject to income or franchise tax. .... ●

**5.** Is form FTB 35-44 and/or 35-44A attached to the return? ..... ●  Yes  No

**1** Net income (loss) before state adjustments. See instructions ..... ● **1** /

**2** Amount deducted for foreign or domestic tax based on income or profits from Schedule A ..... ● **2** /

- 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

**2014** **California S Corporation** **100S**  
**Franchise or Income Tax Return**

For calendar year 2014 or fiscal year beginning  and ending    
(m/d/yyyy) (m/d/yyyy)

Corporation name  California corporation number  FEIN   
Additional information. See instructions. California Secretary of State file number

Street address (suite/room no.)  PMB no.   
 City (if the corporation has a foreign address, see instructions.)  State  ZIP code   
 Foreign country name  Foreign province/state/country  Foreign postal code

**Schedule Q Questions (continued on Side 2)**  
**A1 FINAL RETURN?**  Dissolved  Surrendered (withdrawn)  Merged/Reorganized  IRC Section 338 sale  QSub election  
 Enter date (mm/dd/yyyy) .....

**A2** Is the S corporation deferring any income from the disposition of assets? .....  Yes  No  
 If "Yes" enter the year of disposition, (yyyy) .....

**A3** Is the S corporation reporting previously deferred income from: .....  Installment Sale  IRC §1031  IRC §1033  Other

1 Ordinary income (loss) from trade or business activities from Schedule F (Form 100S, Side 4), line 22 or federal Form 1120S, line 21. If Schedule F (Form 100S, Side 4) was not completed, attach federal Form 1120S, page 1, and supporting schedules	1	00
2 Foreign or domestic tax based on income or profits and California franchise or income tax deducted	2	

- 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.



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



# LLC Characteristics



IRS partnership classification: follow partnership rules.



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



IRS corporation classification: follow corporation rules.



# LLC Characteristics

## Single Member and Partnership

**ABLE YEAR** **Limited Liability Company**  **CALIFORNIA Form**  
**2014 Return of Income** **568**

For calendar year 2014 or fiscal year beginning  and ending   
(m m/d d / y y y y) (m m/d d / y y y y)

Limited liability company name (type or print)  A California Secretary of State (SOS) file number   
 Additional Information  B FEIN

Street Address (suite, room, PO Box)  PMB no.  C Principal business activity name (same as federal)   
 City (if the LLC has a foreign address, see instructions.)  State  ZIP Code  D Principal product or service (same as federal)   
 Foreign Country Name  Foreign Province/State/County  Foreign Postal Code

E Check accounting method  (1) Cash  (2) Accrual  (3) Other (attach explanation)  F Date business started in CA (m m/d d / y y y y)  G Enter total assets at end of year. See instructions.  \$

H Check the applicable box  (1) Initial return  (2) FINAL RETURN  (3) Amended return  I Principal business activity code (same as federal)

Complete Schedule IW, LLC Income Worksheet (on Side 7) first to determine Line 1.		Whole dollars only	
1	Total income from Schedule IW, Limited Liability Company Income Worksheet. See instructions	1	00
2	Limited Liability Company fee. See instructions	2	00
3	2014 annual Limited Liability Company tax. See instructions	3	00

- 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

The image shows the top portion of the 2014 California Corporation Franchise or Income Tax Return Form 100. The form is titled "2014 California Corporation Franchise or Income Tax Return 100". It includes fields for the calendar year or fiscal year beginning and ending, corporation name, California corporation number (FEN), and additional information. The "Schedule Q Questions" section is visible, with questions 1 through 5 regarding income inclusion, changes in members, and tax return attachments. The form is partially filled out with checkboxes and some text.

- 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

The image shows the top portion of Form 100S, California S Corporation Franchise or Income Tax Return for the year 2014. The form includes fields for the calendar year, corporation name, California corporation number, PERIN, and various address fields (street, city, state, ZIP, foreign). It also contains 'Schedule Q Questions' with checkboxes for 'Final Return', 'Dissolved', 'Surrendered', 'Merged/Reorganized', 'IRC Section 338 sale', and 'OSub election'. There are also sections for deferring income from asset disposition and reporting previously deferred income from installment sales or other sources.

- 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

Franchise Tax Board's Guide to:



Forms of Ownership

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



STATE OF CALIFORNIA  
Franchise Tax Board

# Alvaro Hernandez

## FTB Small Business Liaison

Telephone

- 916.845.4669

Email

- [Alvaro.Hernandez@ftb.ca.gov](mailto:Alvaro.Hernandez@ftb.ca.gov)

# Lucius Davis

## FTB Small Business Liaison

Telephone

- 916.845.4669

Email

- [Lucius.Davis@ftb.ca.gov](mailto:Lucius.Davis@ftb.ca.gov)



Employee  
or  
Independent Contractor

# Introduction

Employment Tax Consultant

[www.edd.ca.gov](http://www.edd.ca.gov)

Taxpayer Assistance Center:

1-888-745-3886

# Objectives

- Discuss the importance of proper worker classification.
- Explain the differences between employees and independent contractors.
- Define common law, statutory, and excluded employment.
- Identify resources to help properly classify workers.

# Reasons to Properly Classify Workers

- Promote fair competition.
- Safeguard workers' rights.
- Avoid investigations due to:
  - Worker Claims
  - Worker and Competitor Informants
- Avoid additional taxes, penalties, and interest.
- Protect from possible revocation of your state or local licenses.

# Misclassification Example

One worker, earning \$20,000 for one year (tax year 2015)	Employer A (Correctly classifies worker as employee)	Employer B (Misclassifies worker as independent contractor)
UI (3.4 percent)* *New employer rate	\$238	\$238
ETT (0.1 percent)	\$7	\$7
SDI (0.9 percent)		\$180
PIT		\$1,200 (6 percent)
Total due for one year	\$245	\$1,625** ** Plus penalty and interest

# Types of Workers

- Employees

- ✓ Common Law
- ✓ Statutory
- ✓ Excluded Services

- Independent Contractors



# Common Law Guidelines

## Common Law Employee:

An individual who performs services for you, and you have the **right** to control the manner and means of how they do their work.

## Independent Contractor:

An individual who performs services for you who is not a common law or statutory employee.

# 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 is strong evidence of the right to control.

# Common Law Secondary Factors

FACTORS	EMPLOYEE	INDEPENDENT CONTRACTOR
Distinct trade or occupation	No separately established business	Separately established business
Supervision	Follows procedures	Own methods
Skill level	Training	Own expertise
Tools and place of work	Business provides	Worker provides
Length of time	Continuous	Isolated event
Method of payment	Guaranteed payment	Sets rate and pay date
Regular part of business	Vital to business	Incidental to business
Belief of parties	Employee	Independent contractor
Extent of actual control	Owner sets work schedule	Worker sets schedule
Services benefit principal	Benefits owner's business	Benefits owner as individual
Profit or loss	No investment or financial risk	Investment and financial risk

# Statutory Employees

Employee by law under a specific statute.

Examples include, but are not limited to:

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

Resources:

*Statutory Employees (DE 231SE)*

*Payments to Corporate Officers (DE 231PC)*

*Limited Liability Entities (DE 231LLC)*

# Excluded Services

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

Examples include, but are not limited to:

- Domestic Workers
- Family Members
- Direct Sellers
- Real Estate Agents

*Exempt Employment (DE 231EE)*

# Additional Resources

- *California Employer's Guide* (DE 44)
- *Information Sheet: Employment* (DE 231)
- *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)
- *Employee or Independent Contractor Seminars at:*  
[http://www.edd.ca.gov/Payroll\\_Tax\\_Seminars/](http://www.edd.ca.gov/Payroll_Tax_Seminars/)

# e-Services for Business



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

<https://eddservices.edd.ca.gov/index.html>

# e-Services for Business Features

- Register for an employer account
- File returns and reports online
- Make payments by EFT or credit card
- View account balance
- View payroll tax rates
- Make account updates
- View previous returns and payments
- Close account



# Thank You!

## Questions?



# Contra Costa Small Business Development Center

“Marketing Your Business and Services”

Oscar Dominguez