

For Immediate Release
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Deadline Approaching for Use Tax Registrants

BOE reminds Participants They May File for Penalty Relief or an Extension

Michelle Steel, Third District Member of the State Board of Equalization (BOE), today reminded taxpayers now required to register and make use tax payments directly to the BOE that the April 15 deadline is fast approaching, and of BOE staff's efforts making it easier to request relief from penalties or request an extension.

More than 180,000 taxpayers have been notified by the BOE that they are required to register with the BOE under a new law in order to report and pay their use tax liability for purchases subject to use tax for the previous calendar year. Additionally, the BOE is also requiring that these taxpayers file use tax returns for calendar years 2007 and 2008. More than \$5 million dollars has been collected through this program to date.

At its March Board Meeting, members heard from the taxpayer community that the April 15 deadline for filing is creating hardship for many businesses. The Board directed staff to make it clear to taxpayers that they may request relief from penalty or an extension. In response, forms for both requests have been placed on the home page of the BOE website and other locations convenient for the taxpayer.

Other items to assist taxpayers include a [Frequently Asked Questions web page](#), a step-by-step [use tax efilng video tutorial](#), and [Publication 126, Mandatory Use Tax Registration for Service Enterprises](#) located on our website at www.boe.ca.gov. Additional links have been added to the BOE website to make it easier for taxpayers to find information and efile their returns.

Beginning in September 2009, the BOE sent approximately 180,000 [initial notification letters](#) informing the recipient of the new law, created by the Legislature and signed by the Governor, requiring qualified purchasers to register with the BOE and report and pay their use tax liabilities by April 15. The letters further explain that the BOE is creating an account for recipients so that they can report and pay their use tax liabilities online.

Use tax is the equivalent of sales tax and is owed on taxable products purchased from out of state vendors who did not collect sales tax. Use tax rates are the same as sales tax rates, which vary in California from 8.25% to 10.75%, depending on location. California use tax has existed since 1935 and was established to eliminate the price advantage out-of-state retailers would have over California businesses that collect and remit sales tax to the BOE.

The new registration requirement applies to taxpayers operating services businesses that are either an individual, partnership, corporation, or other business entity that meets all of the following conditions: 1) the business receives at least one hundred thousand dollars (\$100,000) in gross receipts from business operations, both in-state and out-of-state, per calendar year; 2) the business is not required to hold a seller's permit or certificate of registration for use tax; 3) the business is not a holder of a use tax direct payment permit; and 4) the business is not otherwise registered with the board to report use tax.

Those taxpayers subject to the new registration requirements must file returns for years 2007, 2008, and 2009. While the due date for the 2009 calendar year is April 15, 2010, the due date for years 2007 and 2008 are January 31, 2008 and January 31, 2009, respectively.

While a ten percent penalty applies for all late returns, qualified purchasers may request a relief of the late payment penalties imposed pursuant to this new use tax registration requirement. Taxpayers may download form [BOE-735, Request for Relief of Penalty](#), from our website.

A qualified purchaser who has not received a letter from the BOE is still obligated to comply with the new law and register and file use tax returns by April 15. Immediately upon registration, a taxpayer will be furnished with their account number and express login code. Taxpayers registering in BOE field offices can immediately file their returns at efilng kiosks in each office. BOE staff is available to provide assistance as needed.

Three convenient payment options are available while efilng

- Electronic payment through ACH Debit (eCheck)
- Credit Card
- Paper Check

The BOE estimates that the new use tax registration and reporting program will bring in revenue of \$81 million in 2009-2010, \$183 million in 2010-2011, and \$367 million in 2011-2012.

Elected to the Board of Equalization in 2006, Michelle Steel serves as Southern California's elected taxpayer advocate. In 2008, Steel uncovered a \$42 million mistake in the agency's sales tax refund procedures. Following her investigation, the tax agency refunded tax security deposits to over 5,500 small businesses.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

For more information:

Use Tax eFile Tutorial: www.boe.ca.gov/electsrv/efiling/efile_demo/efile_use_tax.htm

Frequently Asked Questions: Use Tax Registration: www.boe.ca.gov/sutax/useTaxRegFAQ.htm

Publication 126, *Mandatory Use Tax Registration for Service Enterprises*: www.boe.ca.gov/pdf/pub126.pdf

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