

Tax Information

Bulletin

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California State Board of Equalization
P.O. Box 942879, Sacramento, CA 94279-0001

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Revised regulations may affect you

To see if your business is affected by a regulatory change, check the following list of sales and use tax regulations that have been revised since July 2002. For copies of Board regulations, you can go online or call our Information Center.

- **1502, Computers, Programs, and Data Processing.** Beginning January 1, 2003, a lump-sum charge for an optional software maintenance agreement is 50 percent taxable when the purchaser receives tangible personal property during the term of the agreement. (See [March 2003](#) issue www.boe.ca.gov/news/pdf/mar03tib.pdf.)
- **1507, Technology Transfer Agreements.** Incorporates the California Supreme Court ruling in *Preston v. State Board of Equalization* regarding the taxability of charges for finished artwork when sold along with copyright interests pursuant to technology transfer agreements. For more information, including examples of how tax applies to technology transfer agreements and the transfer of finished art, see [Sales and Use Tax Audit Manual Chapter 11, Advertising Agencies](#),

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Small Business Fairs—local, state, and federal agencies working together to offer solutions

Need help figuring out your tax reporting requirements? Or some other government requirement? If you do — and who doesn't? — you are encouraged to attend a small business fair near you.

Several federal, local, and state agencies, including the Board, host several free Small Business Tax Fairs throughout the state. Topics at each seminar vary, but typically the following subjects are covered: sales, payroll, and income taxes; Social Security; property taxes; bad checks enforcement; INS requirements; and problem resolution through the Taxpayers' Rights Advocate.

Representatives from the Board of Equalization, FTB, EDD, IRS, and many other agencies are on hand to answer questions and provide free reference materials.

San Gabriel Valley

Friday, September 5
San Gabriel Valley Hotel
(formerly the Radisson Hotel)
West Covina Office: 626-480-8226

Marin

Thursday, September 18
Embassy Suites Hotel
Santa Rosa Office: 707-576-2300
or 415-356-6616

Orange County

Friday, September 26
CalState University, Fullerton
Laguna Hills Office: 949-461-5732

Ventura

Tuesday, October 7
Radisson Hotel Oxnard
Ventura Office: 805-677-2771

Stockton

Thursday, October 23
Radisson Hotel Stockton
Stockton Office: 209-469-7484

Van Nuys

Wednesday, November 5
Airtel Plaza Hotel
Van Nuys Office: 818-901-5690

Can we save you a seat?

Although it is not necessary to reserve a seat, it would help us plan if you could let us know you are coming. You can reserve your spot by contacting the specific Board office listed above. You can also [register by e-mail](#). From www.boe.ca.gov, click on "Free Seminars" located in the right column titled "Featured Links." Write to the appropriate e-mail address for the event you want to attend.

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Graphic Artists, Printers, and Related Enterprises, available online at www.boe.ca.gov/pdf/fam-11.pdf.

- **1525.7, Rural Investment Tax Exemption.** Provides for a partial sales and use tax exemption that may be available to eligible entities investing in counties with high unemployment rates. The California Infrastructure & Economic Development Bank (CIEDB) Board determines who is eligible to receive this partial exemption.
- **1528, Photographers, Photocopiers, Photo Finishers and X-Ray Laboratories; 1540, Advertising Agencies and Commercial Artists; 1541, Printing and Related Arts, and 1543, Publishers.** Revisions affecting the graphic arts industry. For a supplemental article explaining the revisions, go online to www.boe.ca.gov/news/tib02.htm.
- **1533, Liquefied Petroleum Gas; 1533.1, Farm Equipment and Machinery; and 1533.2, Diesel Fuel Used in Farming Activities or Food Processing.** New regulations regarding the agricultural exemptions enacted by AB 426. Includes a partial exemption from the state portion (5%) of the sales and use tax to qualified purchasers for farm equipment and machinery and for diesel fuel used in farming activities or food processing. For summaries of the regulations' provisions and frequently asked questions, go online to www.boe.ca.gov/sutax/sutexempt.htm.
- **1534, Timber Harvesting Equipment and Machinery.** Provides an exemption from the state portion (5%) of the sales and use tax for off-road commercial timber harvesting equipment and machinery, including component parts, used primarily in commercial timber harvesting operations.
- **1535, Racehorse Breeding Stock.** Provides an exemption from the state portion (5%) of the sales and use tax for sales to and purchases

from qualified persons of race-horse breeding stock.

- **1603, Taxable Sales of Food Products.** Changes were made to clarify the application of tax to sales made by and to caterers.
- **1616, Federal Areas.** Provides that Indian retailers selling meals, food or beverages at eating and drinking establishments are not required to collect use tax on the sale of meals, food or beverages that are sold for consumption on an Indian reservation. (See next article.)
- **1699, Permits.** Defines buying companies and clarifies when a seller's permit should be issued to a buying company. For a supplemental article explaining these revisions, go online to www.boe.ca.gov/news/pdf/sep02tibsuff.pdf.
- **1703, Interest and Penalties.** Provides that fraud or intent to evade shall be established by clear and convincing evidence.
- **1807, Process for Reviewing Local Tax Reallocation Inquiries.** Describes the procedures for reviewing local tax reallocation inquiries including new procedures for reallocation appeals made to the elected Board Members. To see the Special Notice explaining these revisions, go online to www.boe.ca.gov/news/pdf/localtaxreallocate.pdf.

Regulatory changes affect sales on Indian reservations

Subdivision (d)(3) of Regulation 1616, *Federal Areas*, was revised to eliminate the requirement that certain on-reservation Indian retailers collect use tax from customers and report the tax to the state. To qualify for relief from the duty to collect the use tax and remit it to the Board of Equalization, all of the following conditions must be met:

1. The retailer must be an Indian. *Indian* means any person of Indian descent who is entitled to receive services as an Indian from the United States Department of the

Interior. Indian organizations are entitled to the same exemption as Indians. Indian organizations include Indian tribes and tribal organizations and also include partnerships all of whose members are Indians. The term includes a corporation organized under tribal authority and wholly owned by Indians. The term excludes other corporations, including those wholly owned by Indians.

2. The sale or purchase must take place on an Indian reservation. Reservations include rancherias and any land held by the United States in trust for any Indian tribe or individual Indian.
3. The product sold must (a) consist of meals, food or beverages, (b) be sold for consumption on the reservation, and (c) be sold at eating and drinking establishments on the reservation, such as restaurants, bars, and casinos. For example, sales of soup, salad, sandwich, hamburger, soda, beer, or wine by a deli or restaurant for consumption on the reservation qualify. However, sales of bottled soda, beer, or wine at a grocery store would not qualify since a grocery store is typically not an eating and drinking establishment.

Note: Further revisions to Regulation 1616 are being considered. To learn more about proposed changes, you can go online to www.boe.ca.gov/regs/regscont.htm. Or call our Information Center.

Do you file once a year?

If you do, you get only one *Tax Information Bulletin* a year. To receive all four bulletins, you can ask to be added to Mailing List 15.

- Send an e-mail request to: www.boe.ca.gov/info/email.html.
- Or write to the following address: Addressing Systems, MIC:12 Board of Equalization PO Box 942879 Sacramento, CA 94279-0012



New online document helps retailers verify cigarette distributor licenses

It is illegal for retailers to sell or possess cigarettes that do not bear a proper California stamp. In fact, those items are subject to seizure by the Board. A retailer's best defense against dealing in products subject to seizure is to purchase cigarettes only from a licensed cigarette wholesaler or distributor, and to obtain a purchase receipt from that seller. To help you verify a license, we provide a regularly updated list of licensed cigarette wholesalers and distributors on our website at www.boe.ca.gov/pdf/cigdistrib-wholsr.pdf.

If you have any questions or concerns over the product you are purchasing, please call our Information Center at 800-400-7115, or write to the following address: Excise Taxes Division MIC:56; State Board of Equalization; P.O. Box 942879; Sacramento, CA 94279-0056.

Has your seller's permit changed?

Some of you may have looked at a recent tax return or letter from us and noticed that your seller's permit has new alphabetical characters. If that's the case, *don't panic*. The new alphabetical characters simply indicate that your account is now maintained by a different Board office, which is identified by different alphabetical characters.

Example

Old: SR GHD 12-345678

New: SR GHC 12-345678

Why did my account change?

Effective January 1, 2003, our administrative field offices were restructured to parallel the new Equalization District boundaries. A business that was located in one district may now be located in a new district that has a different administrative office.

It should be noted that you may still use any Board office for assistance, service or information.

How does this affect my use of resale certificates?

A change in the alphabetical characters in your account does not invalidate any previously issued resale certificates. If you issue a new resale certificate in the future, you should use the new alpha character as part of your permit number.

EFT payments can now be made online

Eligible taxpayers can now make their Electronic Funds Transfer (EFT) payments for sales and use tax over the Internet.

Who is eligible?

You are eligible if you are currently registered as an EFT taxpayer and use the Automated Clearing House (ACH) debit payment method.

If you are not currently registered to make payments by EFT, or you would like to change to the ACH debit payment method, you will need to complete form BOE-555-EFT, Authorization Agreement for Electronic Funds Transfer. This form can be found online at <http://www.boe.ca.gov/pdf/boe555eft.pdf>.

How to make a payment

Go to <http://www.payments-govonesolutions.com/ca> or visit the Board's website at <http://www.boe.ca.gov/electsrv/eftsrvcont.htm> for a link to the online system and follow the instructions. Online instructions follow the same format as the telephone automated response system. It is fast, easy, and there is no additional cost.

Reminder: After you pay online, you must send in your paper tax return for the reporting period.

EFT continued on page 4

Make it Happen

Share your ideas and concerns at our Taxpayers' Bill of Rights hearings.

Do you have suggestions for improving our services? Do you want us to look more closely at a tax or fee issue? If you do, come share your ideas and concerns with the elected Members of the Board of Equalization at the annual Taxpayers' Bill of Rights hearings. You can present your proposal orally or in writing.

Although you do not need to be scheduled in advance to speak at a hearing, it would help us to prepare if you contacted us beforehand to let us know your topic. If your proposal is complex or extensive, we encourage you to submit it in advance and then summarize it in your oral presentation.

Sacramento

Wednesday, October 15, 2003

1:30 p.m.

Headquarters Building

450 N Street, 1st Floor Board Room

Culver City

Wednesday, October 29, 2003

1:30 p.m.

Board of Equalization District Office

5901 Green Valley Circle, Suite 207



To notify us of a topic you wish to discuss or to send written material in advance, please contact the

Taxpayers' Rights Advocate MIC:70

P.O. Box 942879

Sacramento, CA 94279-0070

Call toll-free: 888-324-2798

Fax: 916-323-3319

Do you import biodiesel or soy methyl esters? Blend organic oils?

In general, you must register with the Board as a Supplier of Diesel Fuel if you

- Import biodiesel or soy methyl esters, or
- Blend any type of organic oil

intended for sale in California or use on California roads.

Biodiesel or soy methyl esters and organic oils intended for use as fuel replacements are taxed like petroleum diesel under the Diesel Fuel Tax Law.

Biodiesel is a cleaner-burning diesel replacement fuel made from natural, renewable sources such as new and used vegetable oils and animal fats. Fats and oils are chemically reacted with an alcohol to produce chemical compounds known as fatty acid alkyl esters. Biodiesel is the name given to these esters when they're intended for use as fuel.

Blends of up to 20% biodiesel (mixed with petroleum diesel fuels) can be used in nearly all diesel equipment and are compatible with most storage and distribution equipment. Higher blends, even pure biodiesel (100% biodiesel, or B100), can be used in many engines built since 1994 with little or no modification.

Note: If you purchase B100 from a supplier in California, you must pay the diesel fuel tax to your supplier, unless the purchase is otherwise exempt.

If you have any questions about this article, please contact the Fuel Taxes Division at 916-322-9669.

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For more information about the Internet option, please call our EFT Helpline at 916-327-4229. Staff are available Monday through Friday, 7:30 a.m.– 4:30 p.m., Pacific time.

New or revised reference material

Sales and Use Tax Publications

- 17 Appeals Procedures: Sales and Use Taxes and Special Taxes (4/03)
- 24 Tax Tips for Liquor Stores (1-03)
- 62 Tax Tips for Locksmiths (1-03)
- 71 California City and County Sales and Use Tax Rates (4-03)
- 73 Your California Seller's Permit (3-03)
- 75 Interest and Penalty Payments (1-03)
- 101 Sales Delivered Outside California (1-03)
- 109 Are Your Internet Sales Taxable? (1-03)

Translations—updated

- 76-S Audits (Spanish) (1/03)
- 32-S Tax Tips for Sales to Purchasers from Mexico (Spanish) (9/02)
- 33-PE Making Sales in California (Portuguese) (1/03)

Translations—new

- 33 Making Sales in California (1/03)
Now available in Russian (33-RN), French (33-FH), Hebrew (33-HW), Thai (33-TI), Lao (33-LO), and Urdu (33-UU).

Sales and Use Tax Regulations

- 1540 Advertising Agencies and Commercial Artists (effective 10/03/02)
- 1502 Computers, Programs and Data Processing (effective 1/01/03)
- 1525.2 Manufacturing Equipment (effective 12/03/02)
- 1535 Racehorse Breeding Stock (effective 1/09/03)
- 1703 Interest and Penalties (effective 1/09/03)
- 1807 Process for Reviewing Local Tax Reallocation Inquiries (effective 2/22/03)

Tax Facts series—brief, readable, helpful

Believe it or not, we have some publications that are brief and to the point. We invite you to read them. You won't be disappointed.

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| 100 Shipping and Delivery Charges | 108 When Is Labor Taxable? |
| 101 Sales Delivered Outside California | 109 Are Your Internet Sales Taxable? |
| 102 Sales to the US Government | 110 California Use Tax Basics |
| 103 Sales for Resale | 111 Operators of Swap Meets, Flea Markets & Special Events |
| 104 Sales to Residents of Other Countries | 112 Purchases from Out-of-State Vendors |
| 105 District Taxes and Delivered Sales | 113 Coupons and Sales Tax |
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| | 116 Sales and Use Tax Records |

For More Information

All telephone numbers are toll-free.

Internet

www.boe.ca.gov ■ www.taxes.ca.gov

Information Center

800-400-7115
Telephone devices for the deaf
800-735-2929 (TDD) ■ 800-735-2922 (Voice)

Requests for Fax Copies

800-400-7115 (Choose automated services.)

Seller's Permit Verification

888-225-5263 ■ www.boe.ca.gov

Taxpayers' Rights Advocate

888-324-2798 ■ www.boe.ca.gov

Tax Evasion Hotline

888-334-3300

State Legislation

www.leginfo.ca.gov