

## **Foreign purchases**

### **The use tax exemption for hand-carried items increased.**

Effective January 1, 2008, the first \$800 of tangible personal property that is *both purchased from a retailer in a foreign country and personally hand-carried into this state* from the foreign country within any 30-day period is exempt from use tax. This exemption shall not apply to property sent or shipped to this state.

Prior to January 1, 2008, the first \$400 of tangible personal property that was *both purchased from a retailer in a foreign country and personally hand-carried into this state* from the foreign country within any 30-day period was exempt from the use tax.

### **What is use tax and why would I owe it on an out-of-state purchase?**

California's use tax was implemented in 1935 to protect California retailers who would otherwise be at a competitive disadvantage with out-of-state retailers making sales to California customers without charging tax. It applies when you use, store, give away, or otherwise consume out-of-state purchases of merchandise in this state, unless you were charged California tax on your purchase by the out-of-state retailer. Purchases subject to use tax can be made on the Internet, by telephone, mail, or in person. Don't be confused - Internet access remains tax free, but purchases made on the Internet are not. If you are a California resident or business and you purchased merchandise from a retailer in another state or country, you may owe California use tax on your purchase.

### **How do I pay use tax?**

If your business is required to have a seller's permit, report the amount of untaxed business-related purchases on your sales and use tax return line, "Purchases subject to use tax." Your untaxed, non-business related purchases should be reported and paid on your California state income tax return or on the use tax return included in publication 79-B, *California Use Tax*.

### **How do I find out more?**

If you have any questions or need further clarification on use tax, please visit our website at [www.boe.ca.gov](http://www.boe.ca.gov), or contact our Taxpayer Information Section at 800-700-4115.