



# TAX Information

## B · U · L · L · E · T · I · N



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### Sales and use tax rate increased on April 1, 2009

Effective April 1, 2009, the combined statewide sales and use tax rate increased by 1% from 7.25% to 8.25%. In addition, if you are in a city or county that has a voter approved district tax rate increase effective on April 1, 2009, your overall tax rate increase will be higher.

#### Fixed-price contracts are not exempt from the 1% tax rate increase

Unlike with a district tax increase, fixed-price contracts and fixed-price lease agreements are not exempt from the additional statewide 1% tax rate increase.

#### How the 1% tax increase affects district taxes

Qualifying fixed-price contracts and lease agreements entered into prior to April 1, 2009, are exempt from the increase in district taxes. Accordingly there will be taxing jurisdictions (districts) where fixed-price contracts and fixed-price lease agreements are subject to the new tax rate increase, but not a new district tax.

For example, the City of Galt, located in Sacramento County, with a prior tax rate of 7.75% now has an additional new district tax of .5%, effective April 1, 2009. With the statewide 1% increase, the tax rate in Galt will be 9.25%. However, since qualifying fixed-price contracts and fixed-price lease agreements are exempt from the district tax increase but not the 1% statewide tax increase, fixed-price contracts and fixed-price lease agreements will be taxed at 8.75%.

#### What if I collect tax at the lower tax rate for sales made after April 1, 2009?

If you incorrectly collect sales tax reim-

bursement or use tax at the lower tax rate after April 1, 2009, you will still owe the 1% difference.

Please see the Special Notice available from our website at [www.boe.ca.gov/news/specialnotices.htm](http://www.boe.ca.gov/news/specialnotices.htm). The combined statewide and district tax rates that apply as of April 1, 2009, are listed on the reverse side of the Special Notice and in [publication 71, California City and County Sales and Use Tax Rates](#). Additional information is available from our website or our Taxpayer Information Section.

### New tax rates to take effect in Los Angeles July 1, 2009

Voters in Los Angeles County have approved a 0.50% Transactions (Sales) and Use Tax, which will increase the tax rate within the county to 9.75% from the April 1, 2009 rate of 9.25%. There are five cities that currently have a district tax within Los Angeles County which results in a corresponding 0.50% rate increase in these five cities. Please see the chart below for more information.

Los Angeles County's new tax rates effective July 1, 2009:

Area	Code	Acronym	New Rate
Los Angeles County	218	LAMT	9.75%
Avalon City	219	AMHC	10.25%
El Monte	222	EMGF	10.25%
Inglewood	220	IGWD	10.25%
Pico Rivera	223	PCRV	10.75%
South Gate	221	SGTE	10.75%

The BOE has mailed a Special Notice to permit and license holders in Los Angeles County and to others who are most likely

impacted by the new district tax rate increase. The notice describes the new voter approved district tax and provides information on how it applies to your sales and purchases. You can find the notice online at [www.boe.ca.gov/news/specialnotices.htm](http://www.boe.ca.gov/news/specialnotices.htm) or call our Taxpayer Information Section to have a copy faxed or mailed to you. For more information on district taxes, see [publication 44, District Taxes](#), and if you ship into or out of a taxing district, you may also want to obtain a copy of [publication 105, District Taxes and Delivered Sales](#). You can download or order the publication from our website or call our Taxpayer Information Section for a copy.

## New tax rate for Laguna Beach starting July 1, 2009

The City of Laguna Beach, located in Orange County, has repealed their district tax; this will reduce their tax rate from 9.25% to 8.75% effective July 1, 2009.

## Tax-paid purchases resold deduction

If you are a retailer who paid sales tax or use tax on the cost of merchandise that you later resell prior to making any use of the merchandise other than retention, demonstration or display, you may be entitled to take a deduction on your sales tax return for the tax paid on the merchandise. This deduction is called a “cost of tax-paid purchases resold prior to use” deduction.

Circumstances under which you may claim this deduction include:

- When making the purchase, you intend to use the property rather than resell it; but later you resell it before making any use of the property.
- The particular property is not ordinarily sold or stocked by your business, and not customarily covered by resale certificates given to your vendors. Thus, the property is the subject of an unusual sale, such as a sale for the accommodation of a customer.
- The particular property is generally for the use of the retailer, but a small portion is incidentally resold.

Generally, you are entitled to offset the tax paid on the cost of the goods against the tax due on the later sale of the goods. You should take this deduction on the return in which you report the sale of the property. If the deduction is not taken in the proper period, you may file a claim for refund. If you paid sales tax reimbursement, the claim must be filed with the vendor. The vendor should submit a [BOE-101, Claim for Refund or Credit](#), to the BOE to obtain a refund of the tax to be returned to you. If you paid use tax, you may file a claim directly with the BOE. If you sell the goods in an exempt transaction such as a

sale for resale or a sale in interstate commerce you may take the deduction against your taxable sales in the same period. If you have tax liability in that period you may request a refund. A claim for refund must be submitted on a [BOE-101, Claim for Refund or Credit](#), to the BOE for a refund of the tax.

Property purchased “tax-paid” by a retailer and placed in “standby service,” located at the place of intended use and committed to that use, is considered used sufficiently to disqualify a tax-paid purchase deduction when sold, even though never physically used there and ultimately removed and sold.

Please refer to [Regulation 1701, Tax-Paid Purchases Resold](#), and [publication 117, Filing a Claim for Refund](#), available from our website and from our Taxpayer Information Section.

## Sales and use tax refunds not affected by budget crisis

If you believe you have paid more sales or use tax than you owe, you may file a claim for refund. You can send us a [BOE-101, Claim for Refund or Credit](#), or a written letter.

Your claim must state all of the following:

- The specific reasons you paid too much tax.
- The excess tax amount you paid, if you know it. If you are not yet sure of the amount, you may file for an unspecified amount. If you can, please break down your total overpayment into state, local, and district tax amounts (specify the district or districts).
- The reporting period or periods for which you paid too much tax. Your claim can cover more than one reporting period.

You must sign and date your claim. Please include your phone number so that we can contact you if we have questions or need additional information.

While your claim is pending you must continue to pay the full amount of tax due with your returns. Do not take a credit on your return for the amount of your claim. If you take a credit on a current return before we approve your claim, we will bill you for the balance due with the return, plus applicable penalty and interest.

For instructions and more detailed information on how to file a claim for refund, please see [publication 117, Filing a Claim for Refund](#), available from our website or by calling our Taxpayer Information Section. Included in publication 117 is a [BOE-101, Claim for Refund or Credit](#), which can be used to file your claim.

## California tire fee and other environmental fee programs

Do you know that if you sell, rent, or lease new or used motor vehicles, farm equipment or construction equipment in California you may owe the California Tire Fee? The Board of Equalization administers the California Tire Fee in partnership with the California Integrated Waste Management Board and the Air Resources Board. In addition, if you operate a business in California, you may be responsible for registering and reporting fees under the following Environmental Fee Programs:

- Environmental Fee—If you have 50 or more employees employed more than 500 hours in California in a calendar year.
- Hazardous Waste Generator Fee—If you generate five or more tons of hazardous waste, including treated wood waste, from a site in a calendar year.
- Occupational Lead Poisoning Prevention Fee—If your business handles products containing lead and you have 10 or more employees that are employed 160 hours or more in California in a calendar year.
- Electronic Waste Recycling Fee—If you sell items such as computer monitors, laptop computers, televisions and portable DVD players.

To learn more about these and other tax and fee programs administered by the BOE, please go to [www.boe.ca.gov/sptaxprog/spenvirofees.htm](http://www.boe.ca.gov/sptaxprog/spenvirofees.htm). You can also contact the Taxpayer Information Section at 800-400-7115.

## Purchases and sales by nonprofit organizations

In California, there is no general exemption for sales by nonprofit or religious organizations. Although many nonprofit and religious organizations are exempt from federal and state income tax, there is no similar exemption from California sales and use tax. Generally, sales by nonprofit organizations are taxable, as are their purchases. In other words, nonprofit and religious organizations, in general, are treated just like other California sellers and buyers.

However, there are special exemptions and exclusions available for certain nonprofit and religious organizations. Some organizations may not owe tax on any of their sales, whereas some organizations may owe tax on certain types of sales, but not all sales. Other organizations may be responsible for tax just like other California sellers. It all depends on what type of organization you are and what your organization's practices and activities are.

For charitable organizations that relieve poverty and distress and meet certain qualifications, certain qualifying purchases are not subject to sales or use tax, provided they

are donated or sold. For example, purchases of clothing, personal supplies, and other articles donated to families in emergency shelters would be tax exempt. However, tax does apply to purchases of items that are used by the organization rather than being donated or sold; this would include office supplies, fixed assets, equipment, tools, displays, and so forth.

Please refer to [Regulation 1570, Charitable Organizations](#), [Regulation 1597, Property Transferred or Sold by Certain Nonprofit Organizations](#), and [Publication 18, Nonprofit Organizations](#), available from our website or from our Taxpayer Information Section.

## The Fresno BOE field office has relocated

The Fresno BOE Field Office has moved to: 8050 North Palm Avenue, Suite 205, Fresno, CA, 93711-5510. Phone: 559-440-5330, Fax: 559-440-5503. Our hours of operation are 8:00 a.m.–5:00 p.m. Monday through Friday (except state holidays). Please make a note of our new address, telephone number and fax number. All accounts previously serviced by the Fresno office will still be maintained at the new location.

Many services can be accomplished through our website, via mail, or over the phone. Please visit our website at [www.boe.ca.gov](http://www.boe.ca.gov) for a listing of all BOE offices, for forms, payments, e-filing and general information, or call our Taxpayer Information Section at 800-400-7115.

We look forward to providing BOE services to your business.

## New bank change for electronic funds transfer program

On July 1, 2009, the state's bank will change from Union Bank of California to Citibank.

For ACH Credit transactions, it is important that you notify your financial institution of the new bank information to ensure your payment is received on time by the BOE. You will receive a letter informing you of BOE's new bank account and routing number with Citibank. Credit transactions with a settlement date on or after July 1, 2009, using the incorrect banking information, will be returned and may be subject to penalty and interest charges.

For ACH Debit transactions, you can continue to make your EFT payment through our website [www.boe.ca.gov](http://www.boe.ca.gov) or go directly to our new processor at [www.PayCalifornia.com](http://www.PayCalifornia.com). You may also continue to use the same telephone number to call in your payment 800-554-7500. Most sales and use tax accounts are also eligible to file and pay over the

internet using BOE's free eFiling program, BOE-file.

For more information on how to make your EFT payment, visit our website [www.boe.ca.gov](http://www.boe.ca.gov) or contact the EFT help desk that handles your account program:

#### Sales and Use Tax Accounts

EFT Helpline 916-327-4229

#### Special Taxes and Fee Accounts

Environmental Fees Division 916-323-9555

Excise Taxes Division 916-327-4208

Fuel Taxes Division 916-322-9669

Publication 80, *Electronic Funds Transfer Information Guide, Sales and Use Taxes* and publication 89, *Electronic Funds Transfer Information Guide, Special Taxes*, will be updated with the new information and available on our website by July 1, 2009.

## Meals provided at summer conferences

Some colleges lease their facilities for various summer conference programs. These might include high school enrichment programs, music or sports camps, or training seminars organized by professional or educational groups.

Groups such as these generally charge each participant a lump-sum fee for the conference which includes meals provided by the college. The college in turn charges the group on a daily rate per participant which includes such things as the use of dorm room and classroom; catered meals and services for breakfast, lunch, refreshment breaks, and dinner or banquet services. Although the participants are attending the conference on college facilities, they are not considered students of the college. When such a group is not a school or educational institution, any sales of meals made to the attendees are taxable sales.

On the other hand, when summer programs (such as summer enrichment programs for high school students) are directly run by the college, the participants are considered students of the college. In this case, meals that are provided to the participants under a college program are considered

exempt sales of meals to students. For additional information on student meals, please see [Regulations 1603, Taxable Sales of Food Products](#), and subdivision (g) of [Regulation 1506, Miscellaneous Service Enterprises](#), available from our website at [www.boe.ca.gov](http://www.boe.ca.gov) or by calling our Taxpayer Information Section at 800-400-7115.

## Know your rights

As a taxpayer, you have many rights under the law, including the right to:

- Receive information and assistance to help you comply with the law
- Be treated fairly and courteously, and receive prompt service
- Appeal a decision or claim a refund as allowed by law

Of course, along with those rights, you have certain responsibilities, including the responsibility to:

- Keep informed about tax laws and regulations
- Report and pay taxes and fees when due
- Maintain adequate records

For more information about your rights you may wish to order [publication 70, \*Understanding Your Rights as a California Taxpayer\*](#).

## More articles available online!

There are occasions when we have more articles than we have space for in this print version of the TIB. For this issue we have three additional articles available online at [www.boe.ca.gov/news/tib09.htm](http://www.boe.ca.gov/news/tib09.htm). They are:

- Efiling benefits California and California taxpayers
- Herbal teas classified as food, medicines or supplements
- Regulations amended with effective dates from April 1, 2008 to March 31, 2009
- New or revised reference material

## For More Information

All telephone numbers are toll-free.

#### Internet

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

#### Taxpayer Information Section

800-400-7115  
TDD/TTY: 800-735-2929

#### Requests for Fax Copies

800-400-7115  
(Choose automated services)

#### Seller's Permit Verification

888-225-5263  
[www.boe.ca.gov](http://www.boe.ca.gov)

#### Taxpayers' Rights Advocate

888-324-2798  
[www.boe.ca.gov](http://www.boe.ca.gov)

#### Tax Evasion Hotline

888-334-3300

#### State Legislation

[www.leginfo.ca.gov/bilinfo.html](http://www.leginfo.ca.gov/bilinfo.html)

California State  
Board of Equalization  
PO Box 942879  
Sacramento, CA 94279-0001