



Fiscal year 2014-2015 sales taxes and excise taxes on fuel

At the February 25, 2014, Board meeting, the Board Members approved new sales tax prepayment rates for gasoline, diesel fuel, and jet fuel, as well as new excise tax rates on gasoline and diesel fuel as required under the provisions of the Fuel Tax Swap enacted by the legislation in 2010. The rates remain in effect from July 1 of the same year, to June 30 of the following year. The rate varies depending on the type of fuel involved and may be adjusted each year, or more often if necessary.

Sales tax prepayment rates

The sales tax prepayment rate for all three fuel types decreased:

- Gasoline rate dropped to \$0.065 per gallon (from \$0.07 per gallon)
- Diesel fuel rate dropped to \$0.27 per gallon (from \$0.28 per gallon)
- Jet fuel rate dropped to \$0.175 per gallon (from \$0.18 per gallon)

Excise tax rates

- Gasoline excise tax rate dropped to \$0.36 per gallon (from \$0.395 per gallon)
- Diesel fuel excise tax rate increased to \$0.11 per gallon (from \$0.10 per gallon)

The above rates will be in effect from July 1, 2014, through June 30, 2015.

Sales tax rates on fuels are not subject to change on an annual basis, however, the sales tax surcharge on diesel fuel is set to decrease to 1.75 percent effective July 1, 2014. This is the final annual adjustment to the surcharge rate as required by Revenue and Taxation Code section 6051.8.

Sales tax rates (you must add district taxes where applicable)

- Gasoline sales tax rate remains at 2.25 percent
- Diesel fuel sale tax rate will decrease to 9.25 percent (from 9.44 percent)
- Jet fuel sales tax rate remains at 7.50 percent

For additional information concerning tax rates, please see [Tax Rates - Special Taxes and Fees](#) and [California City & County Sales & Use Tax Rates](#) on our website or call our Customer Service Center at 1-800-400-7115.

New exemption for manufacturing and research and development equipment

A new law allows certain manufacturers and researcher and developers to obtain a partial exemption of sales and use tax on certain manufacturing and research and development equipment purchases made on or after July 1, 2014. To be eligible under this law, you must meet all three of these conditions:

- Be primarily engaged in certain types of business, also known as a “qualified person”
- Purchase “qualified property”
- Primarily use that qualified property in qualifying manufacturing and research and development activities

The partial exemption reduces the tax rate to 3.3125 percent (from 7.50 percent) plus applicable district taxes. This exemption applies to the state general fund portion of the sales and use tax rate, but does not apply to any local, city, county, or district taxes.

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Sellers that make qualifying sales or leases must obtain a timely exemption certificate from the purchaser or lessee. You will be able to claim the deduction for sales subject to the manufacturing exemption on your sales and use tax return.

Purchasers do not need to apply to the BOE for the exemption. When you make qualifying purchases outside California, you must provide the seller with a timely exemption certificate to obtain the reduced tax rate. The BOE will make exemption certificates available in the forms section on our website by July 2014. If you make qualifying purchases and did not pay use tax to the seller, you must report the use tax at the partial rate on your sales and use tax return.

Qualifying purchases are limited to \$200 million in a calendar year per qualified person or combined reporting unit. The exemption will not apply if, within one year from the date of purchase, you use the property in a manner not qualifying for the exemption, you convert the property from an exempt use to a nonqualifying use, or you remove the qualifying property from California.

For more information, please see our manufacturing exemption webpage or call our Customer Service Center at 1-800-400-7115.

Fiscal year return filers

As a holder of a seller's permit, you should know:

- You are required to file a return even for zero gross sales;
- You are required to file a return even if you do not owe any tax;
- You are required to file a return even if you cannot pay the tax you owe.

Failure to file a return for any period may result in an estimated billing or your permit being closed out.

If you operate without a seller's permit you may be subject to fines or imprisonment.

When attending a trade show or event, event coordinators may review the status of your seller's permit on the BOE website, to verify your permit is valid. If your permit is not valid, you may be denied access to the show or event.

If you are no longer in business, you should contact your local BOE office immediately to close out your permit.

For additional information, please see our website at www.boe.ca.gov or call our Customer Service Center at 1-800-400-7115.

Top 500 sales and use tax delinquencies in California

California law requires the BOE to post its online list of the Top 500 sales and use tax delinquencies each quarter. By requiring a public listing, delinquent taxpayers will ideally take steps to resolve their delinquencies so they may avoid the public listing, which is a powerful incentive to play by the rules.

Taxpayers are notified 30 days before their information is posted, allowing them time to pay. The list does not include amounts that are being addressed through payment arrangement, bankruptcy, litigation, or appeal. Taxpayers can request that any full or partial payments be posted on this list.

Legislation enacted in 2011 expanded the former Top 250 list to 500, and also required the BOE to provide confidential information to participating state agencies that issue taxpayers' occupational, professional, and driver licenses. In addition, it provided for delinquent taxpayers to be precluded from contracting with the state.

Of the total \$525.3 million owed on the latest list, \$108.7 million are jointly owed liabilities. This means individuals associated with a corporation, partnership, limited partnership, limited liability partnership, or limited liability company might be personally responsible for delinquent taxes.

Since the inception of this program, the BOE has received a total of \$10.21 million from 121 qualifying taxpayers that came forward to take care of their debts: 100 through installment payment agreements and 21 by making payment in full.

BOE's current list of the state's Top 500 sales and use tax delinquencies is available at www.boe.ca.gov/cgi-bin/deliq.cgi. Also, an interactive map displays location, account name, and amount owed by delinquent taxpayers. Taxpayers on the Top 500 list may contact the BOE at 1-916-445-5167 to resolve their accounts and make payment agreements.



Report use tax on line 2 of your return

Do you owe use tax? It's easy to pay what you owe. Use line 2 on your sales and use tax return to report use tax on out-of-state purchases and property withdrawn from resale inventory for your own use.

If you purchased property for the purpose of resale and subsequently withdrew the property from your resale inventory for your own use, you may owe tax. Use tax is measured by the purchase price of that property and is due upon withdrawal from inventory. You must report use tax on your sales and use tax return for the reporting period in which the property was withdrawn from the resale inventory.

[Regulation 1669, Demonstration, Display and Use of Property Held for Resale—General](#), in part states that use tax does not apply to tangible personal property withdrawn from a resale inventory for the purpose of making a charitable contribution to a qualified organization located in this state. This exemption applies only to property which has been purchased for resale and subsequently donated without any use other than retention, demonstration or display while holding it for sale in the regular course of business.

If you purchased the property from an out-of-state vendor, you will generally owe use tax on that purchase. If the vendor is engaged in business in this state or is registered with this agency to collect use tax, the vendor is required to collect the tax from you. If the vendor is not engaged in business in this state or is not registered with this agency to collect use tax, you must report the purchase price on line 2 of your sales and use return for the reporting period in which the purchase was made.

When an out-of-state company is being audited and found to have a use tax liability, a letter is sent to the purchaser to determine if tax has been paid on the out-of-state purchases. If no payment has been made, depending on the circumstances, either the purchaser or the seller is liable for the unpaid tax. If the out-of-state company is liable for the tax, it will be billed in the audit determination. If it is decided the out-of-state company is not liable, the BOE will pursue the use tax from the purchaser.

For additional information on reporting use tax, please see [California Use Tax Information](#) on our website or call our Customer Service Center at 1-800-400-7115.

Electronic payment of taxes— one day late?

If your electronic tax payment associated with filing a return or prepayment is one business day late, you may be eligible to have the interest associated with the late payment reduced.

Interest is generally imposed on a monthly basis when a tax payment is late. Therefore, if payment is made one day late, interest is imposed for an entire month. The BOE-sponsored legislation amends the law and adds Revenue and Taxation Code section 6591.6. If the Board, meeting as a public body, finds that it is inequitable to compute interest on a monthly basis, interest will be computed on a daily basis from the date on which the tax or prepayment was due until the date of payment, provided all of the following conditions are met:

- The payment of the tax or prepayment was made electronically.
- The payment of the tax or prepayment was made one business day after the due date.
- The taxpayer was granted relief from all penalties that applied to that payment of tax or prepayment.
- The person files a request for an oral hearing before the Board.

Taxpayers may use [BOE-734, Request for Oral Hearing Electronic Payments—One Day Late](#), to request the oral hearing.

Note: This does not apply to payments made pursuant to deficiency determinations, determinations where no return has been filed, or jeopardy determinations.

Auditing electronic records

The goal of all BOE audits is to verify whether the correct amount of tax has been paid during the audit period.

Since most businesses keep their books and records in electronic form, the BOE can more readily assess the accuracy of your tax reporting by examining the electronic records, which may dramatically reduce the volume of paper documents needed to complete the audits. We call this a “computer-assisted audit.” [Regulation 1698, Records](#), allows the BOE to access all records, including electronic (machine-sensible) records and data that are part of the business's books and records. Electronic data is



considered part of the books and records.

The BOE's use of electronic data to complete audits may be less time-consuming and more convenient than a conventional audit as a computer-assisted audit requires the retrieval of fewer supporting source documents, such as invoices, resale certificates, and shipping documents. This saves the time and expense of the taxpayer retrieving paper documents, which minimizes the disruption to the business and reduces the time the taxpayer (and their employees) must devote to the audit. The result is that we expect to have an audit which is less time consuming, more accurate, and requires fewer resources by the business and the BOE staff.

For further information, see [Regulation 1698](#), [Records](#), [publication 116](#), [Sales and Use Tax Records](#), and [What to Expect in a Computer-Assisted Audit](#), [publication 147](#).

The Salinas Branch Office is moving in June, 2014

The Salinas Branch Office will be relocating to a new office on 950 E. Blanco Road, Suite 202, Salinas, CA 93901. Be sure to check www.boe.ca.gov/info/phone.htm for the new telephone number.

The new branch office provides a full range of services including free parking, easy freeway access, and an improved customer service lobby with self-service kiosks.

Unless otherwise noted, all offices are open from 8:00 a.m. to 5:00 p.m. Monday-Friday, (Pacific time) excluding state holidays.

Understand your rights as a California taxpayer

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

- Information and assistance to help you comply with the law;
- Fair and courteous treatment, and prompt service;
- Confidentiality;
- Appeal a decision or claim a refund as allowed by law; and
- Address your elected Board Members.

Along with those rights, you have responsibilities to:

- Keep informed about tax laws and regulations that affect your business;
- Report and pay taxes and fees when due;
- Promptly respond to BOE attempts to contact you;
- Inform the BOE of changes to your business ownership or address; and
- Maintain adequate records.

For more information see [Understanding Your Rights as a California Taxpayer](#), [publication 70](#).

For More Information

All telephone numbers are toll-free.

Internet

www.boe.ca.gov
www.taxes.ca.gov

Customer Service Center

1-800-400-7115 (TTY:711)

Requests for Fax Copies

1-800-400-7115
(Choose automated services)

Seller's Permit Verification

1-888-225-5263
www.boe.ca.gov

Taxpayers' Rights Advocate

1-888-324-2798
www.boe.ca.gov

Tax Evasion Hotline

1-888-334-3300

State Legislation

www.leginfo.ca.gov/bilinfo.html

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