

Board of Equalization (BOE) Sales Tax Tips & FAQs

✓ **You must obtain a seller's permit if you:**

- Are engaged in business in California
- **Intend to sell or lease tangible personal property that would ordinarily be subject to sales tax if sold at retail (auctions constitute sales!)**
- **Will make sales for a temporary period, normally lasting no longer than 30 days at one or more locations**

If you do not hold a seller's permit and **will make sales during temporary periods, you must apply for a temporary seller's permit.** Such permits are normally issued to selling operations lasting no longer than 30 days at one location.

✓ **Methods of obtaining a seller's permit application:**

- In person (see BOE field office locations, page 7)
- By mail (call 800-400-7115)
- Via the internet (www.boe.ca.gov)

✓ **What items are ordinarily subject to sales tax?**

In general, retail sales of tangible personal property in California are subject to sales tax. **Examples of tangible personal property** include such items as furniture, giftware, toys, antiques, clothing, and so forth.

In addition, some service and labor costs are taxable if they result in the creation of tangible personal property. For example, if you make a ring for a specific customer, you are creating tangible personal property. Therefore, the total amount you charge for the ring (including the charge for labor) would be taxable. This would also be the case if the customer provided the materials for making the ring.

Some sales and purchases are exempt from sales and use tax. Examples of exempt sales include, but not limited to, sales of certain food products for human consumption, sales to the U.S. Government, and sales of prescription medicine. For more information on exempt sales, please refer to [Publication 61, Sales and Use Taxes: Exemptions and Exclusions](#).

✓ **If I apply for a permit, what information is needed to complete an application?**

- Your social security number (corporate officers excluded).
- A photocopy of your driver license to ensure the accuracy of the information provided and to protect against fraudulent use of your identification numbers.
- The name and location of a bank where you have an account.
- Names of suppliers.
- Name of person maintaining your account.
- Names and address of a personal reference.
- Anticipated average monthly sales and the amount of those sales which are not taxable.
- Additional information may be required.

If you have a business partner, or **if the business is managed by corporate officers or limited liability company managers, members or officers, those persons will also be asked to furnish some of the information listed above.**

- ✓ **There is no fee for applying for a seller's permit**
- ✓ **You must notify the Board of Equalization if you have an address change from that listed on your application.**
- ✓ **Your auction records are subject to audit!**

Your records may be audited to determine whether you have paid the correct amount of tax. The audit may determine that you owe tax, that you are entitled to a refund, or that you have paid the correct amount. In general, you may be audited in three-year intervals, at the time you close out your permit, or in connection with an audit on another permit you hold. Audits may also be initiated as a result of information received from outside sources.

- ✓ **Your obligations as a permit holder:**
 - Report and pay sales and use taxes
 - Keep adequate records (see page 5)

- ✓ **Who is responsible for paying sales tax to the Board of Equalization?**

As a seller, you owe the sales tax and are responsible for paying the correct amount to the Board. If you do not pay the correct amount, you are subject to additional tax charges plus applicable penalties and interest charges.

- ✓ **Can I collect sales tax from my customer?**

Yes. **Although you are required to pay and report sales taxes to the Board, you may be reimbursed by your customer for the amount of tax you owe on a sale.** For example, if you are required to pay \$1.75 in sales tax on a sale, you may pass that cost on to your customer, provided it is agreed to as part of the sale. **It is presumed that the customer agrees to pay the addition of the tax if:**

- You list a separate amount of sales tax reimbursement on your receipts or invoices;
- You post a sign on your premises stating that sales tax reimbursement will be added to all prices of taxable merchandise, or make a similar statement on price tags, advertising material, and other printed material directed to the purchaser; or
- The sales agreement specifically calls for the addition of sales tax reimbursement.

If you include sales tax reimbursement in your prices, rather than itemizing it separately on your invoices or receipts, **you must inform the buyer that tax is included.** You can post this information at your premises in a location that is visible to purchasers; or you can include it on a price tag or in an advertisement (whichever is applicable). **Use one of the following statements:**

- All prices of taxable items include sales tax reimbursement computed to the nearest mill; or
- The price of this item includes sales tax reimbursement computed to the nearest mill.

- ✓ **Tax rates vary by county and district.**

- The BOE will send with your seller's permit the appropriate tax table for the location in which you are holding your auction. This can be used as a reference if you are adding tax on-site.

✓ What if I collect too much sales taxes reimbursement from my customers?

If you collect more than the amount of tax due, you must either return the excess amount to the customer or pay it to the state.

✓ About your sales tax return:

- A sales and use tax return is a form used by holders of seller's permits to report the payment of sales and use taxes to the Board of Equalization.
- Your tax return form will be mailed to you with your seller's permit.
- Your seller's permit will indicate when your tax return is due.
 - *Mailed returns.* Mailed returns, forms, and payments must be postmarked on or before the specified due date. Be sure to drop off your return before the daily postal pickup to ensure a timely postmark. If the due date falls on a Saturday, Sunday, or legal holiday, returns postmarked by the next business day are considered timely.
 - *Hand-delivered returns.* Hand-delivered returns, forms, and payments must reach Board offices on or before the due date. If the due date falls on a Saturday, Sunday, or legal holiday, returns received by the next business day are considered timely.
 - *Payments made by electronic funds transfer (EFT).* If you are registered to pay taxes electronically, you must still file a hard copy of your return on a timely basis, whether mailed or hand-delivered. For more information on electronic tax payment due dates, please refer to [Publication 80, Electronic Funds Transfer Information Guide](#).
 - *Returns filed through the Internet.* Some returns can be filed online through the Board's [Electronic Services](#). You must file and pay by the tax due date for your reporting period.
- If you need more time to file your return and pay the tax due, the Board may, for **good cause**, extend the due date by one month
 - The late filing and/or late payment penalties that would otherwise apply will be waived.
 - **Interest accrues during the extension period** and thereafter until the liability is paid.
- **You must file a tax return even if no taxes are owed for the reporting period.** So, even if you have no sales for the period, or all your sales are nontaxable, you must still file a return.

✓ Acceptable methods for paying taxes owed:

- *Pay by check or money order* through the mail or at any Board office. Make your payment payable to the State Board of Equalization.
- *Pay by credit card.* This option is only available to businesses that file a paper return and who are not required to pay by electronic funds transfer (explained below). The following credit cards are accepted: Discover Networks, Visa, MasterCard and American Express. Instructions for charging your payment are provided with your tax return.
- *Pay and file on the Internet.* This option is only available to certain businesses. It is not available to businesses that are required to pay by electronic funds transfer (explained below). To find out if you are eligible and to learn how to file and pay online, please see [Electronic Services](#). Currently, payments are made by debiting your bank account.
- *Pay by electronic funds transfers (EFTs).* EFT payments are currently required for businesses that pay an average of \$10,000 per month in sales and use taxes. Other businesses can make EFT payments on a voluntary basis. For more information, please refer to [Publication 80, Electronic Funds Transfer Information Guide](#) or call the Board's Information Center at 800-400-7115.

✓ **If a customer pays after the tax reporting period, or pays in installments, when is the tax due?**

- Tax is due for the period *when a customer takes possession of or title of an item*, even if you are to receive payment at a later date.
- You must report credit or charge sales for the period in which they occur, regardless of when you receive payment.

✓ **Basic steps to follow to when completing your tax return:**

- You must first report:
 - total sales for the reporting period (including lease and rental receipts), and
 - total purchases that are subject to use tax (explained below)
- You will then list all exemptions to which you are entitled.
- Third, to determine the dollar amount subject to tax, you must subtract the total for deductions and exemptions from the total for sales and purchases.
- Finally, using the result from step three, you will calculate the state, county, local, and special district taxes that must be paid to the Board.

✓ **Tax Return Tips & FAQs:**

➔ **What types of sales are included under gross sales?**

The law requires that you report any sale of tangible personal property, whether or not you have been paid for the property. Normally, payment for your sales will be in the form of money (such as cash and charge sales). However, there may be times when you will receive other forms of payment (such as exchanges of property), and the fair market value of those payments must be reported.

Do not include receipts for the following sales under total sales:

- California Lottery sales (scratchers, lotto tickets, and so forth)
- Money order service charges
- **Sales of gift certificates (see note below)**

You must report a sale for the tax reporting period in which it occurs, even if you receive payment in a different period. For example, you may sell an item in June for \$500, and allow the customer to take possession of it immediately on credit. Since the customer took possession of the merchandise (the sale took place) in June, you must report the \$500 sale for that month, regardless of when you receive the balance due.

Note--gift certificate: Although you do not include the sale of a gift certificate under your total sales, you do report the sale that occurs when you accept the certificate for a sale of merchandise or property. The sale must be reported for the reporting period in which the certificate was redeemed.

➔ **Can I deduct exempt transactions?**

Yes. You will report (1) the total sales for your business and (2) purchases that are subject to use tax. Some sales will not be taxable and can be deducted to reduce the total amount subject to tax. For example, some labor charges are not subject to tax. If your total reported sales include nontaxable labor charges, you will need to claim a deduction for those charges. Otherwise you pay too much tax. There are many other types of deductions that can be claimed. Those deductions are explained in the following paragraphs.

→ Common Exemptions/Deductions:

Note: You cannot claim deductions for transactions that have not been reported on your tax return. For example, you cannot claim a deduction for a sale to the U.S. Government unless the sale has been reported as part of total sales on your return. You must also keep documentation to support your claims for deductions.

○ **Nontaxable Sales of Food Products**

Exempt sales of food products can be deducted. However, some sales of food products, including most meals, are taxable and cannot be deducted.

○ **Sales Tax Reimbursement**

Sales tax reimbursement included on Line 1 as part of your total gross sales can be deducted. If you do not report sales tax reimbursement as part of your sales, you may not take this deduction.

○ **Cost of Tax-Paid Purchases Resold Prior to Use**

You may have purchased tangible personal property and paid California sales tax reimbursement or use tax on the purchase. Generally, if you sell the property prior to using it, you can deduct the cost of the purchase on your return. For more information, please refer to [Regulation 1701, Tax - Paid Purchases Resold](#).

✓ **Record retention requirements:**

○ **Types of records to keep on file**

- The normal books of account (books of account can include information stored on computers)
- Documents of original entry (for example, bills, receipts, invoices, job orders, contracts, or other documents) supporting the entries in the books of account
- All schedules or working papers used to prepare your tax returns

○ **What your records should show**

- Gross receipts from all sales or leases of tangible personal property--even sales or leases you may consider to be exempt from tax
- All deductions claimed in filing returns
- The total purchase price of all tangible personal property purchased for sale, consumption, or lease

○ **How long to keep your records**

- You must keep sales and use tax records for four years unless the Board gives written authorization for earlier destruction. This applies to all records that pertain to transactions involving sales or use tax liability.
- In addition, if your records are being audited by the Board, you should retain all records for the period being audited until the audit is completed (or-if you appeal the findings or file a claim for refund-until your case is resolved).

Failure to maintain accurate records may be considered evidence of negligence or intent to evade the tax and could result in penalties.

✓ Where to get help in filling out a tax return

You may phone the Board's Information Center **800-400-7115** or visit your nearest [Board office](#) for assistance. Staff will explain how to complete the tax return correctly. Although they cannot prepare the return for you or review your records to determine what amounts to report, they will be glad to explain what information is required and how to enter it on the form.

✓ Where to get more information

It is not possible to explain what is taxable for every type of business. You are encouraged to use any of the resources listed below to obtain answers to your questions. You may:

- Call our Information Center at **800-400-7115**.
- Request a tax tip booklet designed to explain what is taxable for your type of business.
- Request copies of the laws and [regulations](#) that apply to your business.
- Write to us for advice regarding the taxability of a particular sale or transaction. **Note:** For your protection, it is best to get the advice in writing. You may be relieved of tax, penalty, and interest charges that are due on a transaction if the Board determines that you reasonably relied on written advice from the Board regarding the transaction. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.
- Attend a basic class on how to report sales and use taxes. Call your nearest [Board office](#) to find out when the classes are offered.
- Contact your local Board office and talk to a staff member.

Sales Tax Field Office Locations and Addresses

Cities	Office & Mailing Address	Number
Bakersfield	1800-30th Street, Suite 380, 93301-1922	661-395-2880 Fax: 661-395-2588
Chula Vista	590 3rd Avenue, Suite 202, Chula Vista, CA 91910 Note: closed 12 noon to 1 p.m. M-F	619-409-7440 Fax 619-409-7444
Culver City	5901 Green Valley Circle, Suite 200, 90230-6948 (PO Box 3652, 90231-3652)	310-342-1000 Fax: 310-342-1061
El Centro	1550 W. Main Street, 92243-2832 Note: closed 12 noon to 1 p.m. M-F	760-352-3431 Fax: 760-352-8149
Eureka	<No address listed>	707-576-2100 Fax: 707-576-2781
Fresno	5070 N. Sixth Street, Suite 110, 93710-7504	559-248-4219 Fax: 559-248-4279
Laguna Hills	23141 Moulton Parkway, Suite 100, 92653-1242	949-461-5711 Fax: 949-461-5771
Norwalk	12440 E. Imperial Highway, Suite 200, 90650-8397 (PO Box 409, 90651-0409)	562-466-1694 Fax: 562-466-1598
Oakland	1515 Clay Street, Suite 303, 94612-1432	510-622-4100 Fax: 510-622-4175
Rancho Mirage	35-900 Bob Hope Drive, Suite 280, 92270-1768	760-770-4828 Fax: 760-770-6876
Redding	2881 Churn Creek Road, Suite B, 96002-1146 (PO Box 492529, 96049-2529)	530 224-4729 Fax: 530-224-4891
Riverside	3737 Main Street, Suite 1000, 92501-3395	951 680-6400 Fax: 951 680-6426
Sacramento	3321 Power Inn Road, Suite 210, 95826-3889	916-227-6700 Fax: 916-227-6746
Salinas	111 East Navajo Drive, Suite 100, 93906-2452	831-443-3003 Fax: 831-443-3131
San Diego	1350 Front Street, Rm 5047, 92101-3698	619-525-4526 Fax: 619-525-4548
San Francisco	121 Spear Street, Suite 460, 94105-1584	415-356-6600 Fax: 415-356-6115
San Jose	250 South Second Street, 95113-2706	408-277-1231 Fax: 408-277-1252
San Marcos	334 Via Vera Cruz, Suite 107, 92078-2637	760-510-5850 Fax: 760-510-5876
Santa Ana	28 Civic Center Plaza, Rm 239, 92701-4011	714-558-4059 Fax: 714-558-4904
Santa Rosa	50 D Street, Rm 230, 95404-4791 (PO Box 730, 95402-0730)	707-576-2100 Fax: 707-576-2781
Suisun City	333 Sunset Avenue, Suite 330, 94585-2003	707-428-2041 Fax: 707-428-2193
Van Nuys	15350 Sherman Way, Suite 250, 91406-4203 (PO Box 7735, 91409-7735)	818-904-2300 Fax: 818-901-5252
Ventura	4820 McGrath Street, Suite 260, 93003-7778	805-677-2700 Fax: 805-677-2764
West Covina	1521 West Cameron Ave., Suite 300, 91790-2738 (PO Box 1500, 91793-1500)	626-480-7200