



March 2010

Dear Client,

Many of you have recently received a notice from the California State Board of Equalization regarding use tax. As part of California's new budget, all "qualified purchasers" must register with the BOE and report and pay use tax. A qualified purchaser is any business that:

- Receives at least \$100,000 in gross receipts from business operations per calendar year
- Does not hold a use tax direct payment permit
- Is currently not registered with the BOE
- Is currently not required to hold a seller's permit with the BOE.

This letter is to assist you in e-filing your own returns. The BOE also has a great tutorial if you'd like step-by-step visual instruction. It can be found at:

http://www.boe.ca.gov/electsrv/efiling/efile_demo/efile_use_tax.htm

Before you begin, here is some basic information for filing the return online:

- Use whole numbers only; no decimals or cents
- Do not use commas
- Do NOT use your browser's back button
- Click on the question mark to the right of the box for detailed help
- For additional help, call the BOE at 800-400-7115 or call our office

In the notification received, you were provided an account number and express login code. The direct link to enter this information and log in is:

<http://www.boe.ca.gov/electsrv/efiling/sutd.htm>

Once logged in, you will see the use tax returns available to be e-filed. Most individuals that received the notice will see the years 2007, 2008, and 2009. **Even if you had NO purchases subject to use tax, all displayed years must be completed. File the returns with zeroes (described below).**

After choosing the appropriate tax year, you will be prompted to "Accept" your intent to e-file. Click "Accept". Next you will be taken to the main screen.

For calendar year 1/1/09-12/31/09, you will see two boxes. The first is for purchases made before 4/1/09 and the second is for purchases made after 4/1/09. This is because the tax rate changed on 4/1/09. For all other calendar years, there will be only one box for the entire year.

Enter the total purchases subject to use tax. You will need to report:

- **All** out-of-state, online, or mail-order purchases that you did **NOT** pay California sales tax on that were used, consumed, stored, or given away in California
- Items purchased under a resale certificate, but were used or withdrawn from inventory for personal or business use prior to the sale
- Purchases of vehicles, aircraft or mobile homes from a seller that does not hold a seller's permit

Some items are *exempt from both sales and use tax* and do not need to be reported. Common examples include:

- Cold food products
- Computer software delivered electronically
- Music and literary works delivered electronically (Ipod, MP3, etc.)
- Prescription medications
- Purchases for resale (with the exception mentioned above)
- Any property that is being shipped outside of California and not to be used in California
- Self-study CPE delivered over the internet or email
- Property incorporated into another product which will be subject to sales or use tax upon completion

If you did not have any purchases subject to use tax as described above, enter a zero in the box.

Since the vast majority of individuals will not have any exemptions, the next line has already been zeroed out for you. Likewise, your district tax will automatically be calculated based on your business address. If any of your purchases were used in a district outside your primary business address, you will need to click on this box and allocate the purchases.

Finally, enter any sales or use tax you paid to a state other than California.

When done, press Continue. The remaining screens will ask you for basic information and will assist you in paying any potential balance due.

That's it! Please call our office if you need additional assistance. Below are the answers to a few questions that you might have.

What if I didn't have over \$100,000 in gross receipts, but I received a notice?

According to the BOE, only taxpayers that reported gross receipts of \$100,000 or more on their 2007 federal tax returns would have received the letter. However, if you no longer meet the \$100,000 minimum for later years, you must notify the BOE. We can assist you in this process or you can call the phone number for the BOE listed above.

I owe for 2007 and/or 2008. The notice says penalties will apply. What should I do?

To request relief of penalty, complete and submit form BOE-735 "Request for Relief of Penalty". A copy can be found at <http://www.boe.ca.gov/pdf/boe735.pdf>. Please call our office for assistance with this form.

Sincerely,

Becky Perry
Friedman & Perry, CPA's