











## **New Electronic Logging Device Requirement Can Help Support Interstate or Foreign Commerce Exemption for Trucks and Trailers**

The U.S. Department of Transportation (DOT) now requires interstate motor carriers and truck drivers to use electronic logging devices (ELD) to keep records on driving time, mileage, and other service hour data. Although the DOT only requires ELD records be retained for six months, the California Department of Tax and Fee Administration (CDTFA) encourages you to keep your ELD records for at least eight years.

### **Interstate or foreign commerce exemption for trucks or trailers**

Generally, use tax applies to purchases of trucks or trailers when they are purchased and first functionally used out-of-state by California residents, and subsequently brought into California within the first 12 months of ownership. However, your truck or trailer purchase may qualify for an exemption from use tax if you purchased it and primarily used it in interstate or foreign commerce. To qualify for this exemption:

- You must take delivery of the truck or trailer outside of California;
- You must first functionally use the truck or trailer outside of California, prior to its initial entry into California; and
- One-half or more of the miles traveled by your truck or trailer during the six-month period immediately following its first entry into California must have been commercial miles traveled in interstate or foreign commerce.

If you purchased a truck or trailer without completing registration and paying the use tax to the California Department of Motor Vehicles (DMV), you still need to report your purchase to the CDTFA and file a CDTFA-401-CUTS, *Combined State and Local Consumer Use Tax Return for Vehicle, Mobilehome, Vessel, or Aircraft*. You do not need to wait until the end of the six-month test period to file with the CDTFA. You can register and file your return at any time and we will contact you at the end of the six-month test period to request the documents supporting your interstate or foreign commerce exemption.

### **What records should I keep?**

To support that your truck or trailer was primarily used in interstate or foreign commerce, you should keep the following records for a minimum of eight years:

- The purchase contract.
- A statement signed by the seller verifying the truck or trailer was delivered to you outside of California.
- A load confirmation, bill of lading, or other similar document verifying the truck or trailer was first functionally used outside of California. *Please note:* Functional use means use for the purposes for which the vehicle was designed. For a commercial truck or trailer, first functional use occurs when the truck or trailer first hauls cargo or is first dispatched to pick up a specific load of cargo.
- The documentation that establishes the date the truck or trailer first entered California.
- Any bills of lading and driver logs, fuel receipts, and other similar documents verifying the location and use of your truck or trailer and the origin and destination of each load from the date of out-of-state delivery until the truck or trailer first entered California, and for the next six months.\*

\*Your properly maintained ELD records in lieu of paper driving logs will show the location and use of your truck or trailer during this six-month test period. Although, DOT only requires ELD records be retained for six months, you should keep your ELD records for eight years because CDTFA may have up to eight years to determine whether your truck or trailer was actually purchased for use in interstate or foreign commerce.

