



CDTFA
CALIFORNIA DEPARTMENT OF
TAX AND FEE ADMINISTRATION

California Businesses: How to Identify and Report California Use Tax Due

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This publication explains how to examine your records to establish the use tax due on your purchases of physical merchandise (for example, supplies, furniture, fixtures, and equipment) from out-of-state sellers. If your business purchases items for use, storage, or consumption in California from a seller located outside California that does not collect and report the California use tax, you may owe California use tax. The use tax rate is the same as your local sales tax rate.

The use tax is intended to protect California sellers who otherwise would be at a competitive disadvantage when out-of-state sellers make sales of physical products to California customers without charging tax. The use tax also assures that all businesses in the state contribute fairly to the funding of state and local programs whether they choose to make purchases in California or outside the state.

When do you owe use tax on your purchases from out-of-state vendors?

In general, you owe California use tax when you purchase physical merchandise from out-of-state sellers for use, storage, or consumption in California. If the out-of-state seller does not collect and report the California use tax on your purchase, then you must pay the use tax directly to us, the California Department of Tax and Fee Administration (CDTFA).

If an out-of-state seller charges you California tax, you should obtain a receipt. The receipt must describe the item and show the purchase amount, the tax amount, the seller's name, address, and California seller's permit number (or use tax registration number), and your name and address.

While out-of-state sellers often apply tax at the statewide rate (currently 7.25 percent), you are liable for use tax at the full rate in effect at the California location where you will first use the merchandise. When that location is within a special tax district, the full tax rate in effect for the district applies (statewide tax rate + district tax rate[s]). If the seller charged you tax at a rate lower than the rate in effect for your location, you owe the remaining use tax. For information about tax rates in specific areas, please see [California City and County Sales and Use Tax Rates](#).



How do you review your purchase invoices for California use tax due?

Generally, if sales tax would apply when you buy physical merchandise in California, use tax applies when you make a similar purchase from a business located outside the state.

Examine your purchase invoices from out-of-state retailers in detail to make sure the retailer collected California use tax when it was due and that it was the correct amount (see previous section). Review of the general ledger asset accounts and Federal Income Tax Return depreciation schedules may assist you in identifying purchases that may be subject to use tax.

The California use tax is generally the liability of the purchaser and must be paid either directly to us or to the seller from whom the physical merchandise was purchased, if such seller holds a seller's permit or a Certificate of Registration—Use Tax. If you do not hold a permit or have an account with us for paying your use tax, you may report and pay use tax to the Franchise Tax Board (FTB) on your California income tax return.

If you believe that the out-of-state seller may have paid use tax on your purchase, thereby relieving you of responsibility for all or part of your California use tax liability, you may contact your out-of-state seller to verify their tax payment to us.

Are “Shipping and Handling” charges subject to California use tax?

Shipping charges are generally exempt from tax provided they are:

1. For delivery directly to the purchaser by common carrier, contract carrier, or U.S. Mail;
2. The invoice clearly lists delivery, shipping, freight, or postage as a separate charge; and
3. The charge is not higher than the actual cost for delivery.*

*To verify the actual shipping costs you should contact the seller. Without evidence of the actual cost, the consumer must pay use tax on the entire shipping charge related to the purchase of a taxable item.

If any of the three requirements are not met, the shipping charge is generally taxable. If “handling” is charged with shipping, the handling portion of the charge is subject to tax. Tax does not apply to charges for shipping and handling associated with nontaxable sales, for example, sales for resale ([publication 100](#), *Shipping and Delivery Charges*).

How do I pay the California use tax?

- **California seller’s permit**

If you hold a seller’s permit, you must pay use tax due when filing your sales and use tax return. You must enter the amount of your purchase(s) under “purchases subject to use tax” on the return for the period that includes the date when you first used, stored, or consumed the item in California. When you receive your seller’s permit, we will instruct you to file your tax return either on a quarterly or quarterly prepay basis. Your tax return and payment are due after the close of each reporting period. For example, if you are on a quarterly reporting basis, the reporting period for the first quarter closes on March 31, your tax return and payment are due on April 30, the last day of the following month.

- **Required registration to report use tax**

California law requires a “qualified purchaser” to register with us and annually report and pay use tax directly to us. You can register on our website at www.cdtfa.ca.gov, by selecting [Register](#), and then select [Business Activity or Location](#) under the title, *Register or Apply for a New*. You can also register to report use tax in person at any of our [offices](#). A qualified purchaser includes any business with at least \$100,000 in annual gross receipts from business operations. Gross receipts are the total of all receipts from both in-state and out-of-state business operations. A qualified purchaser is required to file a return, and report and pay use tax on the total purchase price of tangible merchandise that is subject to use tax during the preceding calendar year, and for which tax was not paid to a retailer required to collect the use tax. The return along with payment is due by April 15 of the following calendar year. For example, the return for 2013, along with the payment, is due by April 15, 2014.

For additional information, see [publication 126](#), *Mandatory Use Tax Registration for Service Enterprises*.

- **California income tax return**

If you do not hold a permit with us for paying your use tax as described above, you may report and pay use tax to the FTB on your California income tax return. A Use Tax Table is included with the instructions for the FTB income tax return; it is a tool to assist you in reporting use tax when filing your annual income tax return. The Use Tax Table is only used for personal purchases less than \$1,000, not for business purchases. Business purchases subject to use tax should be reported using actual business purchase receipts. The due date for use tax is the same as the due date for your state income tax return. The date the use tax liability was incurred must be within the tax year being reported on your state income tax return. The FTB will forward the use tax collected to us. If you are a qualified purchaser you are required to register with us to report and pay use tax.

- **Consumer use tax account**

If you make frequent taxable purchases from out-of-state sellers and are not required to register for a use tax account as a qualified purchaser, you may register with us and obtain a consumer use tax account to report your purchases subject to use tax. You can register on our website at www.cdtfa.ca.gov, by selecting [Register](#), and then select [Business Activity or Location](#) under the title, *Register or Apply for a New*. Once you have registered, you may pay any use tax due by filing your return. You can also register to report use tax in person at any of our [offices](#).

We will give you an account number and instruct you to file your return either quarterly or quarterly prepay basis. Your tax return and payment are due after the close of each reporting period. For example, if you are on a quarterly reporting basis, the reporting period for the first quarter closes on March 31, your tax return and payment are due on April 30, the last day of the following month.

- **Vehicles, vessels, and aircraft**

Special rules and reporting requirements apply to these purchases. Please see [Regulation 1610, Vehicles, Vessels, and Aircraft](#) and the following publications:

- [Publication 52, Vehicles and Vessels: Use Tax](#)
- [Publication 79, Documented Vessels and California Tax](#)
- [Publication 79A, Aircraft and California Tax](#)

- **Purchase subject to use tax on one-time purchase**

If you do not have a seller's permit and are not required to register for a use tax account as a qualified purchaser, you can report your purchase(s) subject to use tax on our website at www.cdtfa.ca.gov by selecting [Make a Payment or Prepayment](#), and then select [Pay use tax for one time purchases from out-of-state retailer](#). Once you have registered, you can pay any use tax due by filing your return. You can also register to report use tax in person at any of our [offices](#). Use tax is due on purchases made prior to 2012 by January 31, of the following calendar year. Use tax is due on your purchase(s) made after January 1, 2012, by April 15 of the following calendar year in which you first purchased and used the property in California. Penalty and interest applies to payments received after the due date. Please contact our Customer Service Center for assistance at 1-800-400-7115 (CRS:711).

Are there any additional taxes or fees that are due on my purchases?

In addition to sales and use tax, as a consumer, you generally owe additional taxes or fees when you purchase: tires, lead-acid batteries, cigarette and tobacco products, lumber products, covered electronic devices (for example, laptops, monitors, tablets), or prepaid phones and cards (Prepaid Mobile Telephony Services (MTS)) from an out-of-state seller. If an out-of-state seller does not collect and report the tax or fee on your purchase, you must generally pay the additional taxes or fees directly to us.

How do I pay the additional taxes or fees?

If you purchased tires, lead-acid batteries, cigarette and tobacco products, or covered electronic devices, you are required to register for an account, file a return and pay the applicable tax or fee for the purchase of tires, lead-acid batteries, cigarette and tobacco products or covered electronic devices. You can register on our website at www.cdtfa.ca.gov, by selecting [Register](#), and then select [Business Activity or Location](#). You can also register at any of our [offices](#).

If you purchased Lumber products or prepaid MTS, you may make a one-time payment of the amount owed. For additional information on how to pay, you may visit our website at onlineservices.cdtfa.ca.gov.

The tax and fee rates on specific products may be found on our website at www.cdtfa.ca.gov by selecting [Tax and Fee Rates](#), and then select [Special Taxes and Fees Rates](#).



For More Information

For additional information or assistance, please take advantage of the resources listed below.

CUSTOMER SERVICE CENTER

1-800-400-7115
CRS:711

Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. In addition to English, assistance is available in other languages.

OFFICES

City	Telephone Number
Bakersfield	1-661-395-2880
Cerritos	1-562-356-1102
Culver City	1-310-342-1000
El Centro	1-760-352-3431
Fairfield	1-707-862-3501
Fresno	1-559-440-5330
Glendale	1-818-543-4900
Irvine	1-949-440-3473
Oakland	1-510-622-4100
Rancho Mirage	1-760-770-4828
Redding	1-530-224-4729
Riverside	1-951-680-6400
Sacramento	1-916-227-6700
Salinas	1-831-754-4500
San Diego	1-858-385-4700
San Francisco	1-415-356-6600
San Jose	1-408-277-1231
Santa Clarita	1-661-222-6000
Santa Rosa	1-707-890-6267
Ventura	1-805-856-3901
West Covina	1-626-671-3702
Out-of-State Offices	
Chicago, IL	1-312-201-5300
Houston, TX	1-713-739-3900
New York, NY	1-212-697-4680
Sacramento, CA	1-916-227-6600
Motor Carrier Office	
West Sacramento, CA	1-800-400-7115

INTERNET

www.cdtfa.ca.gov

You can visit our website for additional information—such as laws, regulations, forms, publications, industry guides, and policy manuals—that will help you understand how the law applies to your business.

You can also verify seller's permit numbers on our website (see [Verify a Permit, License, or Account](#)) or call our automated verification service at 1-888-225-5263.

Multilingual versions of publications are available on our website at www.cdtfa.ca.gov.

Another good resource—especially for starting businesses—is the California Tax Service Center at www.taxes.ca.gov.

TAX INFORMATION BULLETIN

The quarterly *Tax Information Bulletin* (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current TIBs on our website at www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm. Sign up for our [CDTFA updates](#) email list and receive notification when the latest issue of the TIB has been posted to our website.

FREE CLASSES AND SEMINARS

We offer free online basic sales and use tax classes including a tutorial on how to file your tax returns. Some classes are offered in multiple languages. If you would like further information on specific classes, please call your local office.

WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. 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.

For written advice on general tax and fee information, please visit our website at www.cdtfa.ca.gov/email to email your request.

You may also send your request in a letter. For general sales and use tax information, including the California Lumber Products Assessment, or Prepaid Mobile Telephony Services (MTS) Surcharge, send your request to: Audit and Information Section, MIC:44, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0044.

For written advice on all other special tax and fee programs, send your request to: Program Administration Branch, MIC:31, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0031.

TAXPAYERS' RIGHTS ADVOCATE

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see [publication 70](#), *Understanding Your Rights as a California Taxpayer*, or contact the [Taxpayers' Rights Advocate Office](#) for help at 1-916-324-2798 or 1-888-324-2798. Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0070.

Regulations, forms, publications, and industry guides

Lists vary by publication

Selected [regulations](#), [forms](#), [publications](#), and [industry guides](#) that may interest you are listed below. Spanish versions of certain publications are also available online.

Regulations

- 1628 *Transportation Charges*
- 1684 *Collection of Use Tax by Retailers*
- 1685 *Payment of Tax by Purchasers*
- 1686 *Receipts for Tax Paid to Retailers*
- 1823 *Application of Transactions (Sales) Tax and Use Tax*
- 1827 *Collection of Use Tax by Retailers*

Publications

- 79 *Documented Vessels and California Tax*
- 79A *Aircraft and California Tax*
- 100 *Shipping and Delivery Charges*
- 110 *California Use Tax Basics*
- 126 *Mandatory Use Tax Registration for Service Enterprises*

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