



## California State Board of Equalization

# Many Businesses Owe "Use Tax" - Do You?

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The California State Board of Equalization (BOE) is currently pursuing the collection of use tax owed by service industry businesses statewide. California businesses that are not required to hold a seller's permit are now being contacted by the BOE by letter and asked to review their records and self-report any use tax due for the past three years. Use tax is the complement to the state's sales tax and was approved in 1935 to ensure California merchants are not at a competitive disadvantage to out-of-state competitors.

### **Do You Owe Use Tax?**

If you buy any of your materials, supplies, or equipment from businesses outside California who do not charge California sales or use tax, then you are directly responsible for paying the use tax to the BOE. [Publication 123, \*How to Identify California Use Tax Due\*](#), explains how to examine your records to determine whether use tax is due on your purchases from out-of-state businesses. This publication is available on the BOE's website at [www.boe.ca.gov](http://www.boe.ca.gov).

### **How Do You Pay the California Use Tax?**

You may report and pay your use tax directly to the BOE on the use tax return in [publication 79B, \*California Use Tax\*](#), which can be found on the BOE website. If you make frequent taxable purchases from out-of-state businesses, you should register with the BOE and obtain a Consumer Use Tax Permit. The BOE's Taxpayer Information Section staff at 800-400-7115 can help you with your application.

For use tax liabilities not more than one year old, you may report and pay your use tax through the Use Tax line on your California Income Tax Return.

### **Can You Limit Your Use Tax Exposure?**

Yes. If you are a California business that is not required to hold a seller's permit and have use tax liabilities, you are encouraged to take advantage of the benefits available by participation in the In-State Voluntary Disclosure Program *before being contacted directly by the BOE*. These benefits include a reduction in the look-back period used for calculating use tax owed from eight years, or longer, to a maximum of three years. Benefits also include a waiver of late filing and late payment penalties.

However, once you are contacted by the BOE regarding an unpaid use tax liability, you are no longer eligible to participate in the In-State Voluntary Disclosure Program and will not be afforded these benefits. Additionally, your acceptance to the program must be approved prior to making your payment for back use taxes. If you report and pay use tax directly to the BOE or on your California Income Tax Return prior to acceptance, you will not be eligible for participation in this voluntary program. Contacting the BOE is the first step!

For application forms and publications, call the BOE's Taxpayer Information Section staff at 800-400-7115 or you can visit the BOE's Voluntary Disclosure of Use Tax for In-State Consumers website: [www.boe.ca.gov/sutax/isvdprog.htm](http://www.boe.ca.gov/sutax/isvdprog.htm).



BOE WEBSITE:  
[www.boe.ca.gov](http://www.boe.ca.gov)

TAXPAYER INFORMATION SECTION:  
800-400-7115  
TDD/TTY:  
800-735-2929