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Strategic Integrated Planning

USE TAX ALERT

In July of 2009, California quietly enacted a new law that requires “qualified purchasers” that do not currently hold a seller’s permit to register with the California State Board of Equalization (the “SBE”), to report and pay use tax on all untaxed purchases of tangible personal property from out-of-state vendors if the property is used, consumed, or stored in this state. Use tax returns, and payment of any taxes, must be made by April 15th of the year following any purchase of property subject to the use tax. “Qualified purchasers” are generally businesses with at least \$100,000 in business gross receipts that are not already registered with SBE, and do not hold a seller’s permit.

To assist taxpayers in complying with the new law the SBE has begun to send letters to those taxpayers that it has determined to be qualified purchasers (based on information received from the IRS) informing them of the new registration requirement. As further evidence that state government is either (1) trying to ease the administrative burden on taxpayers, or (2) has totally abandoned any pretense that taxes are supposed to be self-assessed, these letters advise the recipient that the SBE has already set up an account in their name and provide a login code to be used to access the taxpayer’s account to file the required returns. The letter goes on to point out that while the SBE can go back up to eight years to assess and collect use taxes, they have graciously decided to only require taxpayers to compute their use tax liability on purchases made in 2007, 2008 and 2009, but they do plan to assess delinquency penalties and interest on any associated tax liabilities.

If your business receives one of these letters, please feel free to contact us if you have any questions as to whether your business is subject to the new law, and if so, whether it may qualify for forgiveness of any non-filing penalties assessed.

Please contact David J. Grant, Tax Attorney at dgrant@strategiclawgroup.com or 1-866-657-0246.