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Use Tax New Law on an Old Tax

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In an effort to reduce the budget shortfalls of the state, California recently passed legislation to improve collection of its use tax - a tax that has been in place since the 1930's. Use tax applies when a person or business in California purchases tangible merchandise to be used, consumed, given away, or stored in this state from a retailer outside of this state who does not collect California tax on the sale. In essence, use tax applies to purchases from retailers outside California in the same manner as a sales tax would apply when the same item is purchased from retailers in California.

The new law requires "qualified purchasers" to register with the Board of Equalization ("BOE") and to report and pay by April 15 the use tax owed for the previous calendar year. The new requirements apply to purchases on which use tax was not paid to a retailer required to collect tax. A "qualified purchaser" is defined as a person meeting *all* of the following conditions:

1. the person receives at least \$100,000 in gross receipts from business operations per calendar year;
2. the person is not required to hold a seller's or be registered as a retailer for use tax reporting purposes;
3. the person is not a holder of a use tax direct payment permit; and
4. the person is not otherwise registered with the BOE to report use tax.

A "qualified purchaser" may register for a use tax account by completing Form BOE-404-A, Use Tax Registration. Returns must report the total sales price of tangible merchandise purchased 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. Because the new law is a registration requirement, qualified purchasers must still register and file returns even if no use tax is owed (because tax was paid on the purchases). Indeed, returns must be filed even if no purchases were made during the year.

Assets, other than vehicles, that are purchased outside California and remain outside of California for 91 days are exempt from the use tax. Vehicles purchased outside of California must remain outside of California for 12 months to avoid use tax.

Further information can be found in the Frequently Asked Questions section on California's Board of Equalization website: <http://www.boe.ca.gov/sutax/useTaxRegFAQ.htm>.

Please contact [Cindy Hsieh](#) or [Peter Trieu](#) for assistance on registering with the BOE.

Firm News: Polaris International Elects Mark Kelly Chairman of the North American Region and International Board Member

Congratulations to Mark Kelly who was reelected to be the Chairman of the North America Regional Office of Polaris International and an International Board Member.

Polaris International has 200 member firms with representation in 90 countries throughout the world. The North American region has member firms in most of the major metropolitan areas and these firms provide clients with a range of tax, audit and consulting services.

The recent three day forum in Buenos Aires, Argentina, included professionals from countries around the globe. New and expanding areas of corporate services were discussed including executive branding in today's environment, social networking, debt capitalization rules, transfer pricing, IFAC activities and updates, doing business in Latin America, and lessons learned through economics and litigation.

Mark's quote for the meeting: "Coming together to discuss issues of importance to our clients with fellow professionals from around the globe keeps us on the cutting edge of how to best serve our clients."

Questions or requests for assistance can be addressed to [Mark Kelly](#).

Firm newsletters on other subjects can be viewed at our [website](#).

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