



Sales and use tax rate will decrease on July 1, 2011

Effective July 1, 2011, the combined statewide sales and use tax rate will decrease from 8.25 percent to 7.25 percent. The temporary one percent tax increase implemented in April 2009 expires on June 30, 2011. Please check our website for a listing of the new tax rates.

BOE's online educational seminars

The BOE announced the expansion of its available online educational products to include the virtual replication of Small Business Fairs and Nonprofit Seminars.

These online products are a cost effective, convenient way for taxpayers to learn about the BOE tax programs and how to comply with California tax laws. The virtual seminars are designed specifically to enhance the in-person attention taxpayers can get through sales and use tax classes offered in BOE offices, and seminars offered throughout the state.

The BOE now offers a virtual one-stop-shop option for Small Business Fairs and Nonprofit Seminars. The site includes links to our seminar partners: the Internal Revenue Service, Franchise Tax Board, Employment Development Department, U.S. Small Business Administration, and other local, state, and federal agencies. There you will find contact information, presentations, videos, audio recordings and much more!

The BOE will provide online educational and learning product training and facilitation guides on how to use the products as a convenient resource. In turn, the other agencies will be capable of assisting their clients in using the BOE online products.

The virtual seminars currently available include:

- Basic Sales and Use Tax
- Nonprofit, Exempt, and Faith-based Organizations
- Small Business Fairs (listed under Business Owners)
- eFile
- Retail Sales of Cigarettes and Tobacco Products
- Appeals

Please visit our online tutorials page at www.boe.ca.gov/info/VirtualSeminars/seminars_online.htm.

Sales of cell phones and other wireless telecommunication devices

There are many types of cell phone sales transactions. Here is basic advice on the tax application for sales of cell phones and other wireless telecommunication devices.

Bundled transaction

Many times cell phones are sold at a discounted sales price, or given away at no charge to the customer. However, in order to receive the discount or free cell phone, the customer is required to purchase a service contract of greater than one month (typically one or two years) with a particular service provider. These types of sales are considered bundled transactions. Sometimes accessories are included or sold with the wireless device at a discounted price. To know how to apply tax to a bundled transaction, you must know your cost, bundled sales price, and unbundled sales price.

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Unbundled sales price

The unbundled sales price is either:

- The sales price the retailer typically charges for the cell phone without requiring the purchase of a service contract, or
- The fair retail sales price (if the above cannot be established by the seller's records), or
- The retailer's cost of the phone plus a minimum markup of 18 percent.

The unbundled sales price of an obsolete wireless telecommunication device shall equal the actual sales price of that device.

Bundled transactions that do not include accessories (as consumer)

If the unbundled sales price of the phone is less than 50 percent of the cost of the phone, you are considered the consumer of the phone. Tax is due on your cost of the phone and you may *not* collect tax from the customer on this type of transaction.

Bundled transactions that do not include accessories (as retailer)

When sold in a bundled transaction, if the unbundled sales price of the cellular telephone is 50 percent or more of the cost of the phone, you are the retailer of the phone. Tax is due on the unbundled sales price of the phone whether or not the price of the phone is itemized on the invoice. As the retailer, you are allowed to collect tax from your customer based on the unbundled sales price and, must report and pay that amount to the state. This unbundled sales price may be substantially different than the actual promotional or discounted sales price offered in the bundled transaction.

Bundled transactions that include accessories

Sometimes retailers include "free" accessories when selling wireless telecommunication devices (for example, chargers, adapters, and phone converters). How tax applies will depend on whether you charge a separate amount for the accessories.

You charge a separate amount

When an accessory is sold with a cellular phone and a separately stated amount is charged for the accessory, the cost and sales price of the phone and the accessory are considered separately in determining whether you are a consumer or retailer of the respective items.

Are fees for activating the cell phone taxable?

Fees for one-time activation and charges for wireless service are generally not taxable.

For more information

For additional information, see [Regulation 1585](#), *Cellular Telephones, Pagers, and Other Wireless Telecommunication Devices*, or [publication 120](#), *Cell Phones and Other Wireless Telecommunication Devices*.

What is the Diplomatic Tax Exemption Program?

The U.S. Department of State's Office of Foreign Missions (OFM) administers tax exemption privileges to eligible foreign government offices and diplomatic or consular personnel on assignment in the United States. Tax exemption privileges for foreign diplomats, consular officers, and staff members are generally based on two treaties: the Vienna Convention on Diplomatic Relations and the Vienna Convention on Consular Relations.

OFM issues tax exemption cards to eligible foreign missions, mission personnel and their eligible family members consistent with international law, domestic statute, and the underlying principle of reciprocity. Tax cards provide point-of-sale exemption from sales and use taxes throughout the United States. This system provides immediate relief from taxes without the administrative burdens, costs, and delays commonly associated with reimbursement systems.

The OFM issues two types of tax exemption cards:

1. Mission Tax Exemption Cards: The Mission Tax Exemption Cards are used only for official purchases by a foreign consulate. The person whose name and photo appears on a mission card does not need to be present for the mission's official purchases.
2. Personal Tax Exemption Cards: Personal Tax Exemption Cards can be used only by foreign consular officers, employees, or members of their families who have been identified by the U.S. Department of State as exempt.

These cards are valid nationwide and in the Commonwealth of Puerto Rico, Guam and the U.S. Virgin Islands. The tax exemption cards are used to claim tax exemption from state sales tax, lodging/occupancy tax etc. However, the sales tax exemption card does

not provide an exemption from the utilities tax, the gasoline tax, or, without further documentation, an exemption for the purchase or lease of a vehicle.

Vendor's responsibility

The vendor must retain a copy of the front and back of the tax exemption card, and attach it to the receipt or invoice for their files. Always check the back of the tax exemption card for specific restrictions.

Contact information

OFM website: www.state.gov/ofm

Diplomatic Tax Exemption Program: www.state.gov/ofm/tax/index.htm

Northern California, San Francisco regional office at 415-744-2910

Southern California, Los Angeles regional office at 310-235-6292

If you are a qualified purchaser, you must report and pay use tax directly to the BOE

Revenue and Taxation Code (RTC) [section 6225](#) now requires a “qualified purchaser” to register with the BOE and report and pay use tax directly to the BOE annually. In general, use tax applies to purchases of merchandise from out-of-state sellers (both foreign and domestic) for storage, use, or other consumption in California. If the out-of-state seller does not collect use tax on your purchase, then you must pay the applicable use tax directly to the BOE. This is true whether the purchases were made in person, over the Internet, by telephone, or by mail order. If an out-of-state seller charges you California tax, you should be sure to obtain a receipt. The use tax rate for any location is the same as the sales tax rate and applies to the purchase price of the property.

A “qualified purchaser” is a person who:

- Receives at least \$100,000 in gross receipts from business operations per calendar year. *Note:* Gross receipts is the total of all receipts from both in-state and out-of-state business operations.
- Is not required to hold a seller's permit or certificate of registration for use tax.
- Is not a holder of a use tax direct payment permit.
- Is not otherwise registered with the BOE to report use tax.

While the BOE has contacted many qualified purchasers in order to register them, it remains the qualified purchaser's responsibility to register with the BOE. To register for a use tax account, complete a [BOE-404-A, Use Tax Registration](#), and submit it to the BOE. A qualified purchaser is also required to file a return, reporting and paying 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.

Registered qualified purchasers can electronically file (efile) a use tax return through the BOE's free eFiling system (BOE-file).

Please note: This does not apply to the purchase of a vehicle, vessel, or aircraft or to consumer purchases of cigarettes and tobacco products. Please contact BOE for more information about how to report taxes due on these products.

For additional information regarding your registration and reporting requirements, please refer to [publication 123, California Businesses: How to Identify California Use Tax Due](#), and [special notice, L-232, New Registration and Reporting Requirements for Certain Purchasers](#) (September 2009). For additional information on eFiling, refer to [publication 159, eFile Guide](#). All BOE forms and publications are available at www.boe.ca.gov.

Receive email notification of tax rate changes, latest tax news, and other BOE announcements

The BOE is now sending out notices of tax rate changes, newsletters, tax and fee updates, public meeting agendas, and announcements via email. Not only has the BOE reduced the cost of notification, but more people and businesses throughout the state can be notified of any tax news and upcoming events.

If you are a registered eClient, you can make changes to your email by logging in with your user ID and password. You can also fill out a [BOE-345-WEB, Notice of Business Change](#), to add or update an email address. Subscribe to our email BOE Updates and receive all the latest BOE news, on a monthly basis.

Annual Taxpayers' Bill of Rights hearings to begin

Do you have suggestions for improving our services? Do you want us to look more closely at a policy or procedure? If you do, come share your ideas and concerns with our Board Members at the annual Taxpayers' Bill of Rights hearings. You can present your proposal orally or in writing.

The annual business and property taxes hearings for 2011 will be held on June 21 in Culver City and on September 20 in Sacramento, starting at approximately 1:30 p.m.

Although you are not required to make advance arrangements to speak, it would help us to prepare if you contacted the Taxpayers' Rights Advocate Office at 888-324-2798 beforehand to let us know your topic. If your proposal is complex or extensive, we encourage you to submit it in advance and then summarize it in your oral presentation.

For more details, please call the Advocate Office or visit us at www.boe.ca.gov (click on the tab "Your Rights" and choose "Taxpayers' Rights Advocate"), where you can also view the office's 2009-10 annual report.

New and revised publications

Pub 21G	<i>The California State Board of Equalization</i>	01/11
Pub 25	<i>Auto Repair Garages and Service Stations</i>	02/11
Pub 25S	<i>Auto Repair Garages and Service Stations (Spanish)</i>	02/11
Pub 26	<i>Tax Information Bulletin Index</i>	01/11
Pub 28	<i>Tax Information for City and County Officials</i>	03/11
Pub 39A	<i>Emergency Telephone Users (911) Surcharge</i>	01/11
Pub 46	<i>Leasing Tangible Personal Property</i>	03/11
Pub 51	<i>Board of Equalization Resource Guide to Free Tax Products and Services</i>	01/11
Pub 56	<i>Offer in Compromise</i>	03/11
Pub 63	<i>Cigarette Distributor Licensing and Tax Stamp Guide</i>	01/11
Pub 68	<i>Photographers, Photo Finishers, and Film Processing Laboratories</i>	03/11
Pub 71	<i>California City and County Sales and Use Tax Rates</i>	04/11
Pub 79B	<i>California Use Tax For purchases made from out-of-state businesses</i>	04/11
Pub 152	<i>Cigarette and Tobacco Product Inspections</i>	04/11
Pub 159	<i>eFile Guide</i>	01/11
Pub 159EFT	<i>eFile Guide for EFT Accounts</i>	01/11
Pub 167	<i>Straight Vegetable Oil "SVO" or Waste Vegetable Oil "WVO"?</i>	03/11
Pub 168	<i>Are you using Waste Vegetable Oil "WVO" to produce biodiesel?</i>	03/11

Civil behavior in trying times

We know that you may find yourself frustrated with the difficulties of the tax law or pressed for time when dealing with our staff. Still, we ask that you treat our employees just as you would like to be treated in a business situation. Any statement or gesture made to a BOE employee that seems like a threat—even a statement made in jest—will be referred to our Internal Security and Audit Division for investigation.

Ethics at work—"thank you" is enough

We'd like to remind you that BOE policy generally prevents our employees from accepting gifts of any type. So if you're grateful to someone for going the extra mile to help you with a complicated issue, a simple "thank you" will do. You can also use our online Customer Service Survey form at www.boe.ca.gov/info/survey.htm to express yourself.

For More Information

All telephone numbers are toll-free.

Internet

www.boe.ca.gov
www.taxes.ca.gov

Taxpayer Information Section

800-400-7115 (TTY: 711)

Requests for Fax Copies

800-400-7115
(Choose automated services)

Seller's Permit Verification

888-225-5263
www.boe.ca.gov

Taxpayers' Rights Advocate

888-324-2798
www.boe.ca.gov

Tax Evasion Hotline

888-334-3300

State Legislation

www.leginfo.ca.gov/bilinfo.html

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