

USE TAX: Guide to Reporting Out-of-State Purchases

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Use tax has been in effect since July 1, 1935. Use tax is intended to protect California sellers who would be at a competitive disadvantage when out-of-state retailers sell goods to California customers without charging tax.

Sales tax generally applies to the sale of merchandise in the state. Use tax applies to the use, storage, or other consumption of those same items when a similar purchase was made from outside the state. The use tax is set at the same rate as the state's sales tax and must be paid directly to the Board of Equalization (BOE) or on your Franchise Tax Board (FTB) Income Tax Return.

Use tax is your responsibility.

Payment of use tax is generally the responsibility of the purchaser. Many out-of-state companies are "engaged in business," or have a physical presence in California and must register with the BOE to collect use tax on their retail sales to California customers. Some out-of-state companies will voluntarily register with the BOE and collect tax as a courtesy to their California customers. However, if a company is not "engaged in business" in California, it will generally not charge California tax.

It is your responsibility to report and pay use tax for purchases you make from out-of-state companies that don't charge you tax.

Exemptions from use tax

Generally, the same types of items that are subject to sales tax are subject to use tax. Use tax does not apply to items specifically exempt from sales tax such as prescription medicines and most food items purchased at a grocery store.

How do I pay use tax?

- You can report your purchase(s) subject to use tax on our website at www.boe.ca.gov by selecting [New Registration](#), and then select *Pay use tax and/or the lumber products assessment on one time purchase*. 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 [field offices](#), or
- Report use tax on your FTB Income Tax Return

Who is not eligible to report tax on the FTB Income Tax Return?

The following taxpayers are required to report purchases subject to use tax directly to the BOE and may not report use tax on their income tax return:

- Businesses that have a California seller's permit.
- Businesses that are not required to hold a California seller's permit, but receive at least \$100,000 in annual gross receipts (includes rental, multiple businesses, and out-of-state income). Please see our [Qualified Purchaser Program](#) information on our website for more information (type in "Qualified Purchaser Program" in our search box).
- Individuals or businesses that have a California consumer use tax account.

Did you purchase from one or more of these common out-of-state retailers?

- Mail order catalog
- Internet retailer
- Television shopping network
- Online auction

If yes, you will need to check your records to determine whether or not you paid tax.

Did you make purchases of the following items from out-of-state retailers without payment of tax?

- Books
- Electronics
- Computer equipment
- Manufacturing equipment
- Other _____

If yes, you will need to report and pay use tax on these purchases.

Where do I look in my records for these purchases?

- Email receipts
- Sales invoices
- Purchase orders
- Credit card statements
- Bank statements
- Other _____

These records will help you determine whether or not you owe use tax.

For More Information

Internet

www.boe.ca.gov

Customer Service Center

1-800-400-7115

TTY:711

Customer service representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

California State Board of Equalization
PO Box 942879
Sacramento, CA 94279-0001

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