

# PROPER USE OF A RESALE CERTIFICATE



**CDTFA**  
CALIFORNIA DEPARTMENT OF  
TAX AND FEE ADMINISTRATION

## SALES FOR RESALE

If you are engaged in the business of selling tangible personal property and you hold a California seller's permit, you may issue a resale certificate when purchasing items for resale in the regular course of your business operation. Only items you plan to resell should be purchased without paying sales tax reimbursement (sales tax) using the resale certificate.

It is improper to use a resale certificate if you do not intend to resell the items. If you are purchasing a combination of items where some products are for resale (not taxable) and other products are for use in the business or for your personal consumption (taxable), you must identify for the cashier which items are being purchased for resale, so the cashier can apply sales tax to the taxable purchases.

For example, if you operate a restaurant/bar and you purchase cleaning supplies, toothpaste, and take-out containers – ask yourself if your customers can purchase these items at your restaurant. If your customers cannot purchase these items at the restaurant, then you should not use your resale certificate to buy them without paying sales tax.

## WITHDRAWAL FROM RESALE INVENTORY

If you remove and consume products that you purchased under a resale certificate, you will owe use tax on the cost of the product.

## IMPROPER USE OF A RESALE CERTIFICATE

If you provide a resale certificate to purchase items that at the time of purchase you know you do not intend to resell, you will owe the sales tax that would have been due at the time of purchase plus interest on the tax due. In addition, your CDTFA seller's permit may be revoked and you may be subject to the following penalties:

- May be found guilty of a misdemeanor if you issue a completed resale certificate to the seller with the intent to evade reporting or paying sales tax.
- A penalty of 10 percent of the tax or \$500, whichever is greater, for each purchase made for personal gain or to evade payment of tax.
- A 10 percent negligence penalty if you fail to report and pay use tax on property purchased improperly with a resale certificate, or a 25 percent penalty for fraud or intent to evade the tax.

## ACCOUNT CHANGES

If you have account changes to your CDTFA seller's permit or no longer operate your business, please immediately notify the CDTFA as well as your vendor or supplier to update your account to ensure that your current resale certificate is up-to-date.

## GENERAL GUIDELINES

TYPE OF BUSINESS	ITEMS THAT GENERALLY CAN BE PURCHASED FOR RESALE	ITEMS THAT GENERALLY CANNOT BE PURCHASED FOR RESALE
Restaurants, other eating establishments, and bars	<ul style="list-style-type: none"> <li>• Disposable “take-out” food containers</li> <li>• Paper napkins, paper placemats</li> <li>• Plastic eating utensils, cups, and straws for use by your customers</li> </ul>	<ul style="list-style-type: none"> <li>• Business/office equipment and supplies</li> <li>• Electronics – devices such as televisions, tablets, and computers</li> <li>• Reusable dishes, flatware, and utensils</li> <li>• Furniture and clothes</li> <li>• Cleaning supplies used in daily operations</li> <li>• Toilet paper and paper towels</li> </ul>
Convenience stores and mini marts	<ul style="list-style-type: none"> <li>• Soda, and other non-alcoholic beverages*</li> <li>• Tobacco products*</li> <li>• Over-the-counter medicines*</li> <li>• Household cleaning products and supplies, antifreeze, and motor oil*</li> <li>• Toiletries and other personal essentials – brushes, soaps, toilet paper, and diapers*</li> </ul> <p><i>*(All items intended to be placed on your store shelves for your customers to buy.)</i></p>	<ul style="list-style-type: none"> <li>• Cash registers and business/office equipment</li> <li>• Electronics – devices such as televisions, tablets, and computers</li> <li>• Office supplies used in daily operations</li> <li>• Cleaning supplies used to clean the store</li> <li>• Toilet paper and paper towels used at the store</li> </ul>

This table is intended as a general guideline and may not apply in every situation. The lists include examples only and are not a complete list. For more information regarding resale certificates, please visit our website to obtain publication 103, *Sales for Resale* at [www.cdtfa.ca.gov/formspubs/pub103/](http://www.cdtfa.ca.gov/formspubs/pub103/).