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

**Publication 217** October 2019 www.cdtfa.ca.gov

While 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 purchased from outside the state. Use tax helps protect California sellers who would be at a competitive disadvantage when out-of-state retailers sell goods to California customers without charging tax. The use tax is set at the same rate as the state's sales tax and must be paid directly to the California Department of Tax and Fee Administration (CDTFA) 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 CDTFA to collect use tax on their retail sales to California customers. Some out-of-state companies voluntarily register with the CDTFA and collect California use 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 use 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.cdtfa.ca.gov by selecting Make a Payment, and then select Pay use tax for one-time purchases from out-of-state retailer.
- 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 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 CDTFA 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?

☐ Internet retailer
☐ Television shopping network
☐ Online auction
☐ Mail order catalog
والمراجع والمراجع المراجع الأربي والمراجع والمراجع

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

## What items purchased from out-ofstate are subject to additional excise taxes and fees?

☐ Tires
☐ Lead-acid batteries
☐ Cigarette and tobacco products
☐ Covered electronic devices with screens larger than 4 inches (for example, laptops, monitors, televisions, tablets)
☐ Lumber products
Prepaid phone cards
If yes, in addition to reporting and paying use tax, you are also

responsible for paying the applicable excise tax and fee to the CDTFA.

## How do I pay the additional excise taxes and fees?

For the purchase of new tires, leadacid batteries, cigarette and tobacco products, and covered electronic devices, you are required to register for the applicable account, file a return, and pay the applicable tax or fee. For lumber products and prepaid MTS, you can make a one-time payment of the amount owed. For additional information on how to pay, please visit our website.

Please note: you may not report the applicable excise taxes or fees on your FTB income tax return.

# Where de Heek in my recorde for

these purchases?
☐ Email receipts
☐ Sales invoices
☐ Your order history on the seller's website
☐ Purchase orders
These records will help you determing whether or not you owe California use

tax or any additional excise tax or fee.

For more information, visit our website at www.cdtfa.ca.gov. You may also call our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. California Department of Tax and Fee Administration PO Box 942879 Sacramento, CA 94279-0001.