



## **New Electronic Logging Device Requirement Can Help Support Interstate or Foreign Commerce Exemption for Trucks and Trailers**

The U.S. Department of Transportation (DOT) now requires interstate motor carriers and truck drivers to use electronic logging devices (ELD) to keep records on driving time, mileage, and other service hour data. Although the DOT only requires ELD records be retained for six months, the California Department of Tax and Fee Administration (CDTFA) encourages you to keep your ELD records for at least eight years.

### **Interstate or foreign commerce exemption for trucks or trailers**

Generally, use tax applies to purchases of trucks or trailers when they are purchased and first functionally used out-of-state by California residents, and subsequently brought into California within the first 12 months of ownership. However, your truck or trailer purchase may qualify for an exemption from use tax if you purchased it and primarily used it in interstate or foreign commerce. To qualify for this exemption:

- You must take delivery of the truck or trailer outside of California;
- You must first functionally use the truck or trailer outside of California, prior to its initial entry into California; and
- One-half or more of the miles traveled by your truck or trailer during the six-month period immediately following its first entry into California must have been commercial miles traveled in interstate or foreign commerce.

If you purchased a truck or trailer without completing registration and paying the use tax to the California Department of Motor Vehicles (DMV), you still need to report your purchase to the CDTFA and file a CDTFA-401-CUTS, *Combined State and Local Consumer Use Tax Return for Vehicle, Mobilehome, Vessel, or Aircraft*. You do not need to wait until the end of the six-month test period to file with the CDTFA. You can register and file your return at any time and we will contact you at the end of the six-month test period to request the documents supporting your interstate or foreign commerce exemption.

### **What records should I keep?**

To support that your truck or trailer was primarily used in interstate or foreign commerce, you should keep the following records for a minimum of eight years:

- The purchase contract.
- A statement signed by the seller verifying the truck or trailer was delivered to you outside of California.
- A load confirmation, bill of lading, or other similar document verifying the truck or trailer was first functionally used outside of California. *Please note:* Functional use means use for the purposes for which the vehicle was designed. For a commercial truck or trailer, first functional use occurs when the truck or trailer first hauls cargo or is first dispatched to pick up a specific load of cargo.
- The documentation that establishes the date the truck or trailer first entered California.
- Any bills of lading and driver logs, fuel receipts, and other similar documents verifying the location and use of your truck or trailer and the origin and destination of each load from the date of out-of-state delivery until the truck or trailer first entered California, and for the next six months.\*

\*Your properly maintained ELD records in lieu of paper driving logs will show the location and use of your truck or trailer during this six-month test period. Although, DOT only requires ELD records be retained for six months, you should keep your ELD records for eight years because CDTFA may have up to eight years to determine whether your truck or trailer was actually purchased for use in interstate or foreign commerce.



## For additional information

For additional information on the interstate or foreign commerce exemption requirements, please read our *Tax Guide for Purchasers of Vehicles, Vessels, & Aircraft* on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov). From the *Industry Guides* section on the homepage, choose *View All Industry Guide*, and then under *Tax and Fee Guides* select *Vehicles, Vessels & Aircraft*.

For information on the ELD requirement, go to the Federal Motor Carrier Safety Administration's website at [www.fmcsa.dot.gov](http://www.fmcsa.dot.gov) and search for "electronic logging devices."

If you have any questions, please call our Customer Service Center at 1-800-400-7115 (TTY:711) Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

## You May Owe Use Tax

When sales tax does not apply, use tax may be owed on purchases made online, purchases made from an out-of-state retailer and brought into California, and on items that are purchased for and used, stored, or consumed in California. Generally, if you buy taxable items such as books, electronic equipment, or toys for use in California from any out-of-state seller and you are not charged California tax, you are responsible to pay use tax on these purchases. To determine if you may owe use tax, review your receipts to see if you were charged tax on your online and out-of-state purchases. If you were not charged tax, you may owe use tax on them.

### Retailers

If you are a retailer, use line 2 on your sales and use tax return to report use tax on out-of-state purchases subject to use tax and property withdrawn from resale inventory for your own use.

If you purchased property for the purpose of resale and subsequently withdrew the property from your resale inventory for your own use, you generally owe tax. Use tax is measured by the purchase price of that property and is due upon withdrawal from inventory. You must report use tax on your sales and use tax return for the reporting period in which the property was withdrawn from the resale inventory.

[Regulation 1669, Demonstration, Display and Use of Property Held for Resale—General](#), in part states that use tax does not apply to tangible personal property withdrawn from a resale inventory for the purpose of making a charitable contribution to a qualified organization located in this state. This exemption applies only to property which has been purchased for resale and subsequently donated without any use other than retention, demonstration or display while holding it for sale in the regular course of business.

Property purchased specifically for donating is subject to tax.

It is easy to calculate and pay any use tax owed. The CDTFA provides two easy ways:

- Download and use the [CDTFA's mobile application](#) on your smartphone—the application calculates what you owe; or
- Register and pay on the [CDTFA website](#).

### Consumers

While you may be unfamiliar with use tax, it has been state law since 1935. It is important that you pay the use tax you owe as this revenue provides vital funding for state and local services that all Californians rely on.

The CDTFA estimates that more than \$1 billion of use tax goes unpaid each year, equivalent to the salaries of more than 11,000 teachers or 7,000 police officers. Use tax is important to California because it helps support state and local government efforts to fund schools, public safety, health care, environmental protection, road improvements, and other services.

Use tax is owed by April 15 of the following calendar year in which you made a purchase for which California tax was not charged. You can either pay once a year when you file your state income taxes, or make payments directly to the CDTFA after each purchase.

On your California state income taxes, report the amount owed for the entire year on the appropriate line. You can save all of your receipts and report the exact amount you owe or follow the instructions included with your income tax return to use the [Use Tax Lookup Table](#) for nonbusiness items with a purchase price under \$1,000.

You may also pay use tax on a one-time purchase item(s) directly to the CDTFA. Follow login and step-by-step reporting and payment instructions. You may also pay use tax on a one-time purchase item(s) with the [CDTFA's mobile application](#).

Consumers or business owners with questions about use tax can visit [www.cdtfa.ca.gov/taxes-and-fees/use-tax.htm](http://www.cdtfa.ca.gov/taxes-and-fees/use-tax.htm), or call the CDTFA Customer Service Center at 1-800-400-7115 (TTY:711).