

Sales Tax/California Resale Information

For additional information, please see <http://www.boe.ca.gov/sutax/faqseller.htm>

Frequently asked questions about California Resale Permits:

1. Who must obtain a seller's permit?

You must obtain a seller's permit if you:

- a. Are engaged in business in California and
- b. Intend to sell or lease tangible personal property that would ordinarily be subject to sales tax if sold at retail.
- c. The requirement to obtain a seller's permit applies to individuals as well as corporations, firms, partnerships, and so forth. Both wholesalers and retailers must apply for a permit.

If you do not hold a seller's permit but will hold sales of a temporary nature (such as rummage sales), you must apply for a temporary seller's permit. Temporary permits are issued to cover selling operations of a temporary nature - normally no longer than 30 days at one location. Contact the Information Center at 800/400-7115 for more information.

2. What does engaged in business mean?

You are engaged in business in California if you

- a. Have an office, sales room, warehouse, or other place of business in this state (even if the location is only temporary).
- b. Have a sales representative, agent, or canvasser operating in this state.
- c. Receive rental payments from the lease of tangible personal property in this state.
- d. There are other activities that may qualify a selling operation as being engaged in business in California. Due to the various rules that apply, you should contact the Board's Information Center 800/400-7115 or contact your nearest board of equalization office to determine if you must obtain a permit.

3. What is meant by ordinarily subject to sales tax?

In general, retail sales of tangible personal property in California are subject to sales tax. Examples of tangible personal property include such items as giftware, antiques, clothing, and so forth.

In addition, some service and labor costs are taxable if they result in the creation of tangible personal property. For example, if you make a ring for a specific customer, you are creating tangible personal property. Therefore, the total amount you charge for the ring (including the charge for labor) would be taxable. This would also be the case if the customer provided the materials for making the ring.

However, labor costs for making repairs (resetting a diamond, for example) are not taxable since they do not result in the creation of tangible personal property. You are only repairing or reconditioning existing property.

Likewise, labor charges to install or apply property which has been sold is not ordinarily subject to sales tax (note: the labor charge should be stated separately on the bill).

There are many rules governing what is taxable. You are encouraged to call the Board's Information Center 800/400-7115 or contact your nearest Board office for information on what is taxable for your business.

4. How do I apply for a permit?

You can visit or call a nearby board of equalization to obtain an application. Or, you can arrange to have an application mailed or faxed to you by calling 800/400-7115. Applications can also be downloaded from the Forms and Publications Section of the BOE website.

(Note: You will need to mail or bring in the completed application since we must have your original signature. You should make a copy for your records.)

5. If I apply for a permit, what information is needed to complete an application?

You will be asked to furnish

- a. Your social security number (corporate officers excluded).
- b. A photocopy of your driver license to ensure the accuracy of the information provided and to protect against fraudulent use of your identification numbers.
- c. The name and location of banks where you have an account.
- d. Addresses of property owned, its value, the amount owed, and to whom payments are made.
- e. Names of suppliers.
- f. Name of bookkeeper or accountant.
- g. Names and addresses of three personal references.
- h. Estimated monthly operating expenses for your business (rent, payroll, payments on equipment, and so forth).
- i. Anticipated average monthly sales and the amount of those sales which are not taxable.
- j. Additional information may be required.

If you have a business partner, or if the business is managed by corporate officers or limited liability company managers, members or officers, those persons will also be asked to furnish some of the information listed above.

6. Do I need more than one permit?

If you have more than one place of business (located on different premises), you may need a separate permit for each location. In some instances it is possible to obtain a consolidated permit for multiple business outlets. At the time you apply

for a permit, be sure to provide information for all business locations so that the Board will issue the correct type of permit.

7. Is there a fee charged for a seller's permit?

No. However, the Board may require a security deposit to cover any unpaid taxes that may be owed if, at a later date, the business closes. The amount of the security will be determined at the time you apply.

8. Is my seller's permit the same as a business license?

No. You should contact your city and/or county business license department to obtain a separate business license. To locate the department, check the government pages of your telephone directory (for example, look for the terms license or business license under City Government Offices and County Government Offices).

9. Should I be registered to pay other taxes?

Check with the other tax programs administered by the Board. You should also check with other state, federal, and local taxing and licensing authorities about any registration requirements they may have (for example, do you need to be registered with the State Franchise Tax Board or the Employment Development Department).

The California Protection Agency offers extensive information on state, local, and federal permit requirements. For a listing of their assistance centers, visit their website at <http://www.calgold.ca.gov/pac.asp>. See also California's Tax Information Center, <http://www.taxes.ca.gov>

10. Are my business records subject to audit?

Yes. Your records may be audited to determine whether you have paid the correct amount of tax. The audit may determine that you owe tax, that you are entitled to a refund, or that you have paid the correct amount. In general, you may be audited in three-year intervals, at the time you close out your permit, or in connection with an audit on another permit you hold. Audits may also be initiated as a result of information received from outside sources.

11. What are my obligations a permit holder?

As a permit holder, you are required to

- a. Report and pay sales and use taxes
- b. Keep adequate records
- c. You are also required to notify the Board if you:
 1. Change your business address
 2. Change the ownership of your business
 3. Sell your business
 4. Buy another business
 5. Discontinue your business