



December 9, 2009

Dear Clients:

When items are purchased from a vendor, the buyer is obligated to pay the sales tax (also referred to as use tax), even if the vendor does not charge the tax at the time of the sale. This primarily happens with out-of-state vendors. The exclusions that apply to your business are items purchased for resale and pharmaceuticals. The State of California has stepped up enforcement of this provision. There is now a specific procedure in place that must be followed in order to comply with these recent enforcement efforts.

The State Board of Equalization now requires all “qualified purchasers” to register their business, then report and pay “use tax” directly to the BOE.

“Use Tax” applies when a purchase is made from a retailer outside of the state and no sales tax is charged.

“Qualified purchaser” is an entity that receives at least \$100,000 in gross receipts from business operations per calendar year. This entity is not otherwise required to hold a seller’s permit (meaning the entity does not sell products and does not collect sales tax from customers).

The registration must be completed by December 31, 2009.

Even if your gross receipts did not exceed \$100,000 in 2008, but have exceeded this threshold in previous years, your business **must** register.

The BOE requires returns to be filed for 2007, 2008 and 2009 even if no use tax is due. The due date for 2007 and 2008 is now. The due date for 2009 is April 15, 2010.

If you do not have a sellers permit and you would like PMC to register your company and file a use tax return on your behalf, **please contact PMC**. The fee for preparing these documents is based on our current hourly rate of \$105. Once we have registered your company, we will request certain information from you that will assist us in preparing the returns on your behalf.

Janet B. McLaughlin, CHBC
Alan Fritzshall