



STANISLAWSKI & COMPANY, INC.

A Certified Public Accounting and Business Consulting Firm

January ~ February 2011

RE: Use Tax for “Qualified Purchasers” (New Filing Requirement for Businesses)

Dear Friends of Stanislawski & Company, Inc.:

2010 was a great year for Stanislawski & Company, Inc. - thanks in part to great people like you making referrals to our firm (Thank You!!). Again, we had double digit growth including 90 new clients. For 2011 we want to break our record so please keep those referrals coming. The following tax advice is sent in hopes that those reading our newsletters realize that Stanislawski & Company, Inc. is the one C.P.A firm that has their client’s best interest in mind. We help our client’s avoid problems by being proactive. Below is a new and unusual problem we want to bring to your attention – in hopes that you will avoid it.

“Qualified purchasers” are required to register for a Use Tax Account and file a 2010 Use Tax Return (annually by April 15). The State Board of Equalization has already notified many of you to register. We can register and file these forms for you if you have not already done so. Under Section 6225 of the California Revenue and Taxation Code, a “Qualified Purchaser” is a person who meets all of the following conditions:

- 1) the person receives at least \$100,000 in gross receipts from business operations, including rental income (total receipts for both in-state and out-of-state business operations) in a calendar year,
- 2) the person is not required to hold a seller’s permit or certificate of registration for use tax,
- 3) the person is not a holder of a use tax direct payment permit, and
- 4) the person is not otherwise registered with the State Board of Equalization to report use tax

In summary, use tax is in lieu of sales tax, and both sales tax and use tax applies to the sale or use of tangible personal property used in California. An example of use tax is when you purchase a product on-line. If the retailer is not “engaged in business” in California then the seller would not charge you sales tax - so now you must pay use tax. Another example is if you purchased used equipment from a small company (maybe going out of business) who does not have a resale permit so failed to charge you sales tax.

You are also required to pay use tax on any personal purchases, even if not related to your business. You pay use tax for personal purchases by declaring it on your California state individual income tax return (our Tax Organizer asks you about this every year). Please call us if you have any questions regarding use tax, sales tax or if there is anything else we can assist you or your colleagues with. Business is great and we are looking for more.

Sincerely,

Charles G. Stanislawski, M.B.T., C.P.A

Business is great at Stanislawski & Company, Inc. and we are looking for more.