

Sales and Use Tax Guidance for Schools and Parishes

California's Board of Equalization ("BOE") is sending notices to schools and parishes seeking back payments of use taxes. The form you receive is likely to include a 2 page cover letter and one or more Use Tax Return Worksheets.

General Rule on Sales and Use Taxes

Sellers must collect and remit to the State "sales" tax on their sales of tangible personal property. Buyers who do not pay sales tax on their purchases must pay "use" tax for their use of tangible personal property. "Use" is defined as the use, storage, or other consumption of tangible personal property.

Purchases made at retail stores in California include sales tax (the amount of the tax may vary slightly from county to county). Many out-of-state and on-line retailers include sales tax along with shipping and handling in the purchase price. However, some major on-line retailers such as Amazon do **not** collect sales tax. Therefore, the purchaser must report and pay to the State of California the "use" tax that applies to such purchases. Individual purchasers are required to include such tax on their annual income tax return; entities that have a separate tax identification number have to report by January 31 of each year.

General Rule on Sales and Use Taxes for Religious Entities

Even though our parishes and schools are generally exempt from paying income taxes and certain property taxes, we are **required to pay sales and use taxes**, except in very limited circumstances (*e.g.*, no sales tax on meals or food sold for profit for fundraising purposes at a social or other gathering). Therefore, parishes and schools which receive the BOE notice must provide the information requested and pay the use tax if applicable.

This memorandum is intended to help you complete the documentation required. If you have any questions, please call Rosa Cumare, legal consultant, at 213-637-7530 or email her at generalcounselrc@la-archdiocese.org.



HOW TO FILL OUT THE FORMS

A. Filling in the Forms If You Have Not Paid Sales/Use Taxes

If page 2 of the letter you received in the mail looks like the document below, **and you have purchased merchandise without paying sales taxes**, you should complete the **Use Tax Worksheet** (see instructions on page 3 below on how to fill that out) and then fill out page 2 of the letter as follows:

If upon review of your records, you determine you have not made any purchases from outside California,

- Please verify that at the end of this letter, sign and date it, and return it to the address listed in the heading along with electronic or photo copies of the following documentation:
 - Summary pages (usually pages 1-8) of your Federal Income Tax return for the past year;
 - Asset depreciation schedule for the past year;
 - Your purchases journal for the last calendar year.

After calculating the tax, penalty, and interest due for each year, add the amounts due for all three years and send the worksheets with payment for the total amount due, made payable to the State Board of Equalization, at P.O. Box 942879, Sacramento, CA 94279-0098. **Note:** Although **BOE-403-CLW, Use Tax Return Worksheets**, include a line for penalty, if you have not previously paid use tax or previously been asked to do so, we recommend you apply for relief from penalty by using **BOE-735, Request for Relief of Penalty**. If you apply for relief of penalty, send payment for only the tax and interest due. You will be notified once your relief request is processed.

In addition, if during any 12 month period you make three or more sales of fixtures, equipment, machinery, furnishings, or other tangible personal property used to conduct your business, you generally are required to hold a California seller's permit to report sales on a regular basis and to pay the sales tax on those items sold at retail. If you are making three or more sales of this nature in any 12 month period on a consistent basis, please check the box below and a representative will contact you to help you determine if you should hold a seller's permit.

To obtain copies of any of the publications referenced in this letter, or for assistance, you may call our Information Section at 800-400-7115 or visit our website at www.boe.ca.gov.

If you have any questions or concerns please call:

NAME	TELEPHONE NUMBER
	()

We have a California Seller's Permit. The number is: _____

Enclosed are completed *Use Tax Return Worksheets*, ~~along with last year's Federal Income Tax return, asset depreciation schedule, and purchases journal.~~

We have not made any purchases from outside California without paying the use tax and we have no use tax to report. Enclosed is last year's Federal Income Tax return, asset depreciation schedule, and purchases journal.

Also, we consistently make sales three or more times during a 12 month period of fixtures, equipment, machinery,

School/Parish is tax-exempt; does not file income tax return; no asset depreciation schedule or purchases journal maintained

So place an "X" in the box that reads "Enclosed are completed Use Tax Return Worksheets . . . "

Cross out the rest of the sentence and insert the text that is in the yellow box (you can handwrite or type).



***Filling In the Use Tax Worksheet
If You Have Not Paid Sales/Use Taxes***

The Use Tax Worksheet you receive will have rows numbered 1-29. Input the information about your purchases and calculate the amount of tax you owe. You can find the applicable rate for your city here:

<http://www.boe.ca.gov/sutax/pam71.htm> (current rates) and here:
http://www.boe.ca.gov/sutax/archive_rates.htm (03/2007- 09/2011).

Row 27 asks you to calculate a “PENALTY of 10%.” Do **not** perform this calculation! Instead, you should file a **Request for Relief from Penalty** on Form BOE-735, which can be found and filled out online:
<http://www.boe.ca.gov/pdf/boe735.pdf>

In the box on the top of Form 735, fill out the name of the school or parish, and in the box seeking your “Account Number” insert the “Reference No.” that the BOE provided you on the first page of the notice letter you received. It is likely to be an 8-digit number.

After checking the box next to the word PENALTY, you should fill in the blank space on Form BOE-735 where you are asked to specify the tax periods for which you seek relief and the reason.

This is what you can say is the reason:

“Parish/School is one of the parishes/schools in the Roman Catholic Archdiocese of Los Angeles. As a non-profit religious school [or as a church], it is tax exempt and does not file an annual income tax return nor an IRS Form 990 nor a FTB Form 199. The Archdiocesan schools/parishes are not separate corporate entities; therefore, they also do not file Statements of Information with the Secretary of State. Thus, in the normal course of operations the school/parish does not review its financial statements for tax reporting purposes. The notice from the State Board of Equalization is the first indication the school/parish received concerning the subject of unpaid use taxes, Accordingly, school/parish requests relief from the penalty charges because its failure to file and pay timely was inadvertent and due to reasonable cause.”



B. Filling in the Form If You Have Paid Sales/Use Taxes

If you paid sales taxes on all the merchandise your parish or school has purchased, you do NOT need to complete the Use Tax Worksheet. Complete the form on page 2 of the letter this way:

If upon review of your records, you determine you have not made any purchases from outside California,

- Please verify that at the end of this letter, sign and date it, and return it to the address listed in the heading along with electronic or photo copies of the following documentation:
 - Summary pages (usually pages 1-8) of your Federal Income Tax return for the past year;
 - Asset depreciation schedule for the past year;
 - Your purchases journal for the last calendar year.

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To obtain copies of any of the publications referenced in this letter, or for assistance, you may call our Taxpayer Information Section at 800-400-7115 or visit our website at www.boe.ca.gov.

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Also, we consistently make sales three or more times during a 12 month period of fixtures, equipment, machinery,

exempt;
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es

Place an "X" in the box next to the sentence that reads: "We have not made any purchases outside California without paying the use tax and we have no use tax to report."

Cross out the rest of the line and insert the text that is in the yellow box (you can handwrite or type).

