

## Sales and Use Tax Guidance for Parishes and Schools

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The California Department of Tax and Fee Administration (CDTFA) (formerly known as the Board of Equalization) administers the state's sales and use taxes.

### **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 or even city to city). Many out-of-state and on-line retailers include sales tax along with shipping and handling in the purchase price. However, some retailers such as those based in Oregon do **not** collect sales tax. Therefore, the buyer must report and pay to the State of California the “use” tax that applies to such purchases. Individual buyers 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.

The sales and use tax rate in a specific California location has three parts: the state tax rate, the local tax rate, and any district tax rate that may be in effect. Information about which rate applies to the county, city or district where a location is based can be found here: <https://www.cdtfa.ca.gov/taxes-and-fees/archive-rates.htm>.

### **General Rule on Sales and Use Taxes for Religious Entities**

Even though archdiocesan locations are generally exempt from paying income taxes and certain property taxes, they 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, locations which receive a notice from the CDTFA must provide the information requested and pay the tax(es) if applicable. Guidance on responding to the notice letters can be found here: <https://onlineservices.cdtfa.ca.gov/#22>. The CDTFA portal must be used to respond to the letters.

Locations may be asked to calculate interest and a penalty if they fail to file a return by the required deadline. Interest on unpaid taxes is usually not forgiven; however, penalties can occasionally be dismissed. Assessment of tax penalties often assumes that the taxpayer files regular personal or business income tax returns. Because archdiocesan locations do not file income tax returns, in the past it was possible to seek relief from paying the unpaid sales or use tax penalty. This possibility may still exist. Pertinent information for seeking relief can be found here: <https://www.cdtfa.ca.gov/taxes-and-fees/relief-request-faq.htm>. If space is provided in any of the forms where a reason can be given for seeking relief, locations can say something like this [omit the words for either parish or school, as the case may be] :

*“Parish/School is one of the parishes/schools in the Roman Catholic Archdiocese of Los Angeles. As a church/non-profit religious school 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 parishes/schools 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 parish/school does not review its financial statements for tax reporting purposes. The notice from the California Department of Tax and Fee Administration is the first indication the parish/school received concerning the subject of unpaid use taxes. Therefore, the parish/school requests relief from the penalty charges because its failure to file and pay timely was inadvertent and due to reasonable cause.”*

If any form for CDTFA reporting or filing seeks information about tax returns, asset depreciation schedules, purchase journals, or similar for-profit business reports and schedules, respond as follows: *“Parish/school is tax exempt; it does not file income tax returns and does not maintain pertinent asset depreciation schedules or purchase journals.”*

This guidance is for general purposes only; locations should not rely on any statements made as definitive. For questions contact the Department of Financial Services or the Legal Department.

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