

General Obligations of Sellers and Purchasers

Registration Requirements

As noted in the introduction to this publication, nonprofit organizations generally need seller's permits if they make sales in California. This section describes general permit requirements and the two types of permits available.

Obtaining a seller's permit

In general

As noted in [Introduction: Sales and Use Tax Basics for Various Types of Nonprofit Organizations](#), you generally need a seller's permit if you make sales of merchandise or goods in California. It is your responsibility to apply for a permit, report your sales, file returns, and pay any tax due. Whether you need a regular or temporary permit depends on the frequency of your sales activities (see "Temporary permits . . .," below).

There is no fee for a seller's permit. However, we may require a security deposit to cover any unpaid taxes your organization might owe if it stops operating. The amount of the security, if any, will be determined when you apply for the seller's permit, based on your anticipated sales.

Certain types of organizations are not ordinarily required to hold a seller's permit. For more information, please see the [organization-specific](#) information included in this publication.

Temporary permits vs. regular permits

If your nonprofit organization holds less than three fundraising events with taxable sales each year, you may apply for a *temporary seller's permit* for each event.

If your organization conducts three or more fundraising sales events each year, or if your taxable sales activities occur continuously, you should apply for a *regular seller's permit*.

Even when you are eligible to obtain a temporary permit, you may find it easier to hold a regular permit. It keeps you from having to remember to apply for a temporary permit before each event. You may also find it easier to have a regular permit if you hold annual fundraising events.

Register for a permit

You can register on our website at www.cdtfa.ca.gov. Under [Register](#), select *Register a business activity with CDTFA*. You can also register in person at any of our [CDTFA offices](#). For assistance, please contact our Customer Service Center at 1-800-400-7115 (CRS:711).

If you held a fundraising sales event without applying for a permit, you should register with us right away. Registering promptly may allow you to file and pay any tax due before any penalty and interest are due.

Collecting and Paying Tax

This section provides general information on charging your customers tax, using resale certificates, paying tax on purchases, filing sales and use tax returns, and keeping records.

Taxable sales

Taxable amounts

In general, the amount you receive in exchange for merchandise is taxable. This is true whether a person pays you by cash or another method, or offers you something in barter or trade. In general, the taxable amount is the *price* you set and receive for the item. However, in the case of auctions and silent auctions, the *full amount you receive* is taxable, regardless of the item's value.

Examples: You sell books after your church services for a price of \$10 each, plus tax. You will owe tax based on the \$10 price ($\$10 \times \text{tax rate} = \text{tax amount due}$).

A member of your church comes by your table and gives you \$50. She takes one \$10 book and tells you to keep the entire \$50. You will owe tax only on the \$10 price of the book. The other \$40 is a nontaxable donation and you do not owe sales tax on it.

You sell a copy of the same book in a silent auction for \$50. You will owe tax on the entire \$50 amount.

Collecting tax from your customers

You must pay the correct amount of sales tax due on your sales. You are not required to collect tax from your customers, but the law does allow you to reimburse yourself for the tax from your customer equal to the tax you will owe on each sale. Usually, sellers add this sales tax amount to the price of merchandise when they make the sale. If you choose to follow this practice, your receipts should clearly show the price of the item and the amount of tax you applied.

However, to simplify your sales procedures, you may decide not to add tax to the price of each individual item as you sell it. Instead, you can include the tax in the sales price, provided you display a sign stating: "All prices of taxable items include sales tax computed to the nearest mill."

When you include tax in the price of items you sell, you must remember to subtract the tax amount out on your sales tax return to avoid paying too much tax. There is a line for this on the return.

Example: You sell boxes of decorative note cards at a fair booth. To save your volunteers from having to calculate the sales tax due and make change with coins, you charge an even \$5 for the cards and let your customers know that tax is included in the price by posting the sign described above.

Purchases for resale

In general

If you are a registered seller, you can make purchases for resale without paying an amount for tax to your supplier, as described below. Otherwise, your suppliers will collect sales tax on your purchases unless the transaction qualifies for a specific exemption or exclusion. In some cases, described under [Taxable purchases](#), you may owe use tax on your purchases.

Organizations that are consumers

If your organization is considered a consumer, you cannot legally issue a resale certificate to make tax-free purchases. Your suppliers may collect tax reimbursement from you. See [Taxable purchases](#), if you are purchasing items from an out-of-state vendor.

You can calculate the tax that is included in the selling price by use of the following formula. Sales price = total price divided by $1 + \text{tax rate}$: for example, $\$5.00 / 1.0825 = \4.62 . Tax included = $\$5.00 - 4.62 = \$.38$.

Please note: A tax rate of 8.25 percent was used for illustration purposes, be sure to use the tax rate applicable to your sale and include any district taxes that apply. Please select [California City and County Sales and Use Tax Rates](#), for current tax rates.

Making purchases for resale

As a registered seller with a permit, you may make tax-free purchases of merchandise for your resale inventory by issuing a resale certificate to your supplier. You must intend to sell the item, either as-is or as a physical part of a product you make and sell. If you plan to use the item for any purpose other than demonstration or display while you hold it for sale, you should not buy it with a resale certificate.

In addition, you should not use a resale certificate to buy an item if you are not sure whether you'll use the item before you sell it. Your seller may require you to pay sales tax. If you end up selling the item before you use it, you can take a deduction on your sales and use tax return (for example, tax-paid purchase resold prior to use).

Example: Your nonprofit organization sells books to your members and the general public. Since your sales aren't covered by any special exemption, they're taxable. You can use a resale certificate to buy books you will sell. However, if every year you order 25 special books to give to volunteers who work in your bookstore and other organization volunteers, you should not use a resale certificate to buy those 25 books since you will give them away rather than sell them.

Using a resale certificate

To make purchases for resale, you must provide your supplier a resale certificate. The resale certificate may be in any form, such as a note, letter, or memorandum. Regardless of form, it must contain all of the following information:

- Your organization's name and address.
- Your seller's permit number.
- A description of the property you will purchase.
- A statement that the described property is being purchased for resale (the certificate must contain words that state the property will be resold or is for resale).
- The date of the document.
- The signature of someone authorized to act for your organization.

You can find a sample resale certificate on our website at www.cdtfa.ca.gov.

More information on using a resale certificate can be found in [publication 73](#), *Your California Seller's Permit* and in [publication 103](#), *Sales for Resale*.

Taxable purchases

Your organization's purchases may be subject to sales or use tax, as explained below. Use tax generally applies to purchases of items you will use, give away, store, or otherwise consume in California. The use tax rate for a given location is the same as the sales tax rate. The use tax does not apply to transactions subject to California sales tax.

If you purchase an item with a resale certificate, but use it for a purpose other than resale or demonstration and display, you will owe use tax on the purchase price. You must report the purchase price of the item under "Purchases Subject to Use Tax" on your sales and use tax return.

Tax also applies to purchases of supplies and equipment your organization will use rather than sell, such as bookkeeping supplies, office equipment, display equipment, and so forth. You should not issue a resale certificate to purchase those items.

If you purchase items like those described in the previous paragraph from an out-of-state, mail order, or Internet seller who does not collect California tax from you, you must pay use tax on your purchase. Be sure to report the purchase price of the items on your sales and use tax return under "Purchases Subject to Use Tax."

For more information on purchases subject to use tax, please see [Regulation 1685](#), *Payment of Tax by Purchaser*, [publication 103](#), *Sales for Resale*, and [publication 110](#), *California Use Tax Basics*, or call our Customer Service Center at 1-800-400-7115 (CRS:711).

Filing sales and use tax returns

If you have a temporary permit

When we issue you a temporary seller's permit, you will use a sales and use tax return to report the tax due from your fundraising event. The return and payment will be due on the last day of the month following the month in which you hold the event (for instance, a return for an event held in May would be due by June 30). Please be sure to comply with the deadline on the return. You may be charged penalty and interest if you do not file the return and payment on time.

If you have a regular permit

If we issue you a regular seller's permit, you will be instructed to file your tax return on a monthly, quarterly, or annual reporting basis. (Your filing frequency is determined by your estimated taxable sales.) You must file your completed return and any tax you owe to our Sacramento Headquarters Office on or before the due date printed on the return. Or, you may file your return at one of our [CDTFA offices](#). Generally, the due date is the last day of the month following the end of the reporting period. Please be sure to comply with the due date. You may be charged penalty and interest if you do not file the return and payment on time.

You can easily file your return on our website at www.cdtfa.ca.gov, under the [File a Return](#) tab. This free electronic filing system lets you file a California sales and use tax return or prepayment and make payment for amounts due. You can file a return whenever it is most convenient for you, 24 hours a day—7 days a week. Several filing options are available to fit your needs including three convenient payment methods. You will receive immediate confirmation from us when your return is accepted. Most sales and use tax accounts are eligible to file online.

Reporting your sales and purchases

You must report *all* of your sales on your sales and use tax return, not only your taxable sales. You will be able to take deductions on the return for sales that qualify for specific exemptions and exclusions, including those described in this publication.

The instructions that come with your tax return explain how to complete the return and take the deductions that may apply in your case. Information on common deductions is also found in the Sales and Use Tax section of our website.

You are also required to report your taxable purchases (purchases made without tax and used, stored, or consumed—not resold) on your sales and use tax return.

Recordkeeping

In general

Because you are required to report and pay the correct amount of tax on your sales and purchases, be sure to keep adequate records. Your records must show:

- Gross receipts from all sales of physical products, including sales that you think aren't taxable.
- All deductions claimed on your sales and use tax returns.
- The total purchase price of all items you purchased without tax, used, or gave away (supplies, equipment, fixed assets, and so forth), or leased to a person, organization, or business.

You should keep separate records for each fundraising or sales event. They should show the total amount you received, clearly distinguishing between taxable and nontaxable sales.

Example: Your organization has a booth at a free community fair selling both t-shirts (taxable) and brownies (nontaxable, in this instance). You must itemize your sales records to clearly distinguish between proceeds from taxable sales of t-shirts and proceeds from nontaxable sales of brownies.

If you use a simple cash box to track your sales at events, you may find it easier to account for your sales if you sell taxable and nontaxable items at separate booths.

Our representatives may examine your books, papers, records, and other documents to verify the accuracy of any sales and use tax return you file. Whether or not you file returns, your records may be reviewed to determine if you owe tax. If you have not paid the correct amount of tax, you may be required to pay penalties and interest in addition to any tax you owe.

How long should I keep my business records?

You should keep required records for at least *four years* unless we give you specific, written authorization to destroy them sooner. Exception: Records that cover reporting periods before January 1, 2003, may be covered by an extended statute of limitations if you did not participate in the 2005 tax amnesty program, or if fraud or intent to evade tax is discovered during an audit. You must keep those records for at least *ten years*. If you are being audited, you should retain all records that cover the audit period until the audit is complete, even if that means you keep them longer than four years. In addition, if you have a dispute with us about how much tax you owe, you should retain the related records until that dispute is resolved. For instance, if you appeal the results of an audit or another determination (billing), or you file a claim for refund, you should keep your records while that matter is pending.

For more information, please see [Regulation 1698, Records](#) and [publication 116, Sales and Use Tax Records](#).

Special requirements: operators of flea markets, swap meets, and similar events

If you conduct a flea market or swap meet where sellers rent or lease space under your control, you must obtain certain information from those sellers and provide it to us. Our [publication 111, Operators of Swap Meets, Flea Markets, and Special Events](#) describes your responsibilities, the information you must obtain from sellers, and the significant penalties that apply if you do not collect that information and provide it to us.