



Sales and Use Tax Rate Will Increase on January 1, 2013

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What sales and use tax rate will I need to charge my customer?

For transactions on or after January 1, 2013, the statewide sales and use tax rate(s) you are now charging will increase by one quarter of one percent (0.25%). In addition to the increased statewide sales and use tax rate of 7.50%, some cities and counties have voter-approved district taxes. If you are located in a special tax district, you will charge your customers the increased statewide rate of 7.50% plus the applicable district tax rate.

For the current tax rates in your area, refer to the [California City & County Sales & Use Tax Rates](#) page.

Is the sales and use tax rate increase permanent?

No. The tax rate increase is effective for four years from January 1, 2013, through December 31, 2016.

If a customer purchases merchandise before January 1, 2013, but returns it after that date, what tax rate should I use to refund the tax payment?

You should refund the customer the tax that you charged and collected at the time of the sale.

My customer has already ordered items and has paid for them. My customer will take possession of the merchandise after the tax rate increases. What sales and use tax rate applies?

Generally, the applicable sales and use tax rate is the rate in effect when the merchandise is delivered to the customer, or the customer takes title of the merchandise. That means if the sales contract specifically identifies and passes title of the merchandise to the customer prior to delivery, or before the sales and use tax rate increase goes into effect, the lower rate applies. If you do not pass title of the merchandise to the customer prior to delivery, and you deliver the merchandise after the effective date of the sales and use tax rate increase, the higher tax rate applies.

I will need to reprogram my cash registers and computers for the new sales and use tax rate. My system breaks out the amounts for state, county, local, and district taxes. Where should I account for the 0.25% tax rate increase?

The 0.25% increase will be allocated to the state portion of the tax rate. For reporting purposes, the statewide base rate of 7.50% is separated as follows: state 6.25%, county 0.25%, and local 1% plus any local district tax.

I file my sales and use tax return on a fiscal yearly basis. The sales and use tax rate increase became effective in the middle of my reporting period. How will I report the two different sales and use tax rates?

You must file a split rate sales and use tax return that allows you to separate your sales made prior to January 1, 2013, and sales made on or after January 1, 2013. You will report the sales or use tax at the two different rates. Let us do the rate calculations for you by eFiling your return. The [eFile](#) system will allow you to report the transactions using the two different rates on the split rate return.

I electronically file (eFile) my sales and use tax returns and prepayments. How will the sales and use tax rate increase affect my ability to eFile?

You will still be able to eFile. Please continue to eFile your sales and use tax returns and prepayments.

How does the sales and use tax rate increase affect fixed-price contracts and fixed-price taxable lease agreements entered into prior to January 1, 2013?

Fixed-price contracts or fixed-price taxable lease agreements, other than certain leases of mobile transportation equipment ([MTE](#)) as discussed below, are not exempt from the quarter percent (0.25%) sales and use tax rate increase. Consequently, the quarter percent sales and use tax rate increase will apply to fixed-price contracts and fixed-price leases, including most leases of vehicles.

Exception for mobile transportation equipment (MTE): Lessors of MTE who elect to pay their use tax liability measured by the fair rental value of MTE must pay tax at the rate in effect at the time the equipment is first leased. The rate remains the same for all periods during which the equipment is leased, including all periods during subsequent leases of the equipment and during any period in which the tax rate increased or decreased (CA Code of Regulations, Title 18, Division 2, Chapter 4, Article 15, section 1661 (b)(2)(B)). Therefore, if the MTE is first leased before the quarter percent (0.25%) tax rate increase takes effect, the rate increase will not apply.

Does the sales and use tax rate increase apply to sales of gasoline (motor vehicle fuel) or sales of diesel fuel?

The tax rate increase *does not* apply to gasoline (motor vehicle fuel). Currently, the sales tax rate for gasoline is 2.25% plus applicable district taxes.

The tax rate increase *does* apply to diesel fuel. Effective January 1, 2013, the sales tax rate for diesel fuel will increase to 9.67% plus applicable district taxes. This rate will be in effect through June 30, 2013.

The sales tax **prepayment rate** for gasoline (motor vehicle fuel) and diesel fuel will not be affected at this time. The next prepayment rate change is scheduled to take effect July 1, 2013.

I recently purchased an item from an out-of-state retailer who will ship the item from their out-of-state warehouse. It may be delivered after the sales and use tax rate increase takes effect on January 1, 2013. I know I need to report the use tax to the Board of Equalization, but what use tax rate applies?

The use tax rate that applies is the rate that is in effect at the time when the property enters and is stored or used in California.

How does the sales and use tax rate increase affect partial tax exemptions?

The partial state tax exemption rate will increase on January 1, 2013, by 0.25% from 5.25% to 5.50% for all of the partial state tax exemptions listed below:

- Farm equipment and machinery
- Timber harvesting equipment and machinery
- Racehorse breeding stock
- Property used in teleproduction and post production activities

The partial state tax exemption rate will increase on January 1, 2013, to 7.67% for diesel fuel used for farming and food processing. This rate will be in effect through June 30, 2013, at which time the rate is scheduled to decrease to [7.44%](#).

What if I collect tax at the lower tax rate for sales made after January 1, 2013?

If you collect the sales and use tax at the lower tax rate after January 1, 2013, you will still owe the one quarter percent (0.25%) increase.

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San Mateo	8.500 %	Atherton
San Mateo	8.500 %	Belmont
San Mateo	8.500 %	Brisbane
San Mateo	8.500 %	Burlingame
San Mateo	8.500 %	Colma
San Mateo	8.500 %	Daly City
San Mateo	8.500 %	East Palo Alto
San Mateo	8.500 %	El Granada
San Mateo	8.500 %	Emerald Hills
San Mateo	8.500 %	Foster City
San Mateo	8.500 %	Half Moon Bay
San Mateo	8.500 %	Hillsborough
San Mateo	8.500 %	La Honda
San Mateo	8.500 %	Ladera
San Mateo	8.500 %	Loma Mar
San Mateo	8.500 %	Marsh Manor
San Mateo	8.500 %	Menlo Park
San Mateo	8.500 %	Millbrae
San Mateo	8.500 %	Montara
San Mateo	8.500 %	Moss Beach
San Mateo	8.500 %	Pacifica
San Mateo	8.500 %	Pescadero
San Mateo	8.500 %	Portola Valley
San Mateo	8.500 %	Redwood City
San Mateo	8.500 %	San Bruno
San Mateo	8.500 %	San Carlos
San Mateo	8.500 %	San Gregorio
San Mateo	8.500 %	South San Francisco
San Mateo	8.500 %	Woodside
San Mateo	8.750 %	Hillsdale
San Mateo	8.750 %	San Mateo