



December 27, 2023

2023/2024 Notice for Sales Tax Audit & Other Information on Wholesale

1. Sales tax does not apply to wholesale sales made to locations outside California and/or to foreign countries. Proper **shipping documents** should be kept for interstate and foreign sales. A seller must charge the appropriate sales tax when buyers pick up orders in California rather than receiving shipments. However, if buyers can substantiate that orders picked up in California are for resale purposes, there is no requirement to collect sales tax.
2. Make sure to retain a California Resale Certificate from out-of-state and/or foreign buyers. Have them state that **"I am not engaged in business within California and do not make sales of tangible personal property within California."** on line 1 instead of a resale permit number. In addition, you or your business should receive and keep documents substantiating that they are doing business in other states or in foreign countries (i.e., business cards or business registration).
3. You must retain **California Resale Certificates** from each and every buyer from within the state of California. Failing to do so will have adverse effects on a sales tax audit. Otherwise, resale could be reclassified as retail sales, thus owing sales tax.
4. **Sales tax returns for wholesalers** should be filed once a year on or before the due date given by the California Department of Tax and Fee Administration (CDTFA). The late filing of sales tax returns by wholesalers became one of the reasons for the sales tax audit recently.
5. Wholesalers of the fashion industry in Downtown, Los Angeles should know that sales on Saturdays and sample sales are retail sales, thus, are subject to collection and remittance of sales tax. We strongly recommend keeping records for these retail sales separately.
6. California Resale Certificate is a document for collecting buyers' information. Buyers, by signing the certificate, acknowledge that products purchased are for resale purposes and they will be responsible to pay use tax if products are used for other than the intended purpose. California Department of Tax and Fee Administration can **penalize** wholesalers for not collecting resale certificates from retailers. Thus, we strongly encourage you to collect certificates for your own protection.
7. Effective July 1, 2014, through June 30, 2030, a taxpayer whose business is primarily engaged in manufacturing or R&D can claim an exemption from a partial portion of California's state sales tax (**3.9375%**) when purchasing machine or equipment (maximum \$200 million). A buyer must have either a partial exemption certificate or construction contract before making the purchase.