

Sales for Resale

Your customers may issue you resale certificates when they buy items they will sell in their business operations. When you accept a valid resale certificate in good faith and in a timely manner, your sale is not taxable.

In addition to issuing resale certificates when purchasing finished items they will sell, your customers may also issue resale certificates when buying materials that will become a physical part of an item they will sell. For example, a person who makes and sells furniture may buy the wood for resale that will become a part of that furniture.

Purchases for resale should be legitimate

It's important for you to note the general nature of the purchaser's business before accepting a resale certificate. If your customer is buying an item that is not something they ordinarily sell, you should question whether the purchase is in fact for resale.

For example, if the furniture maker attempts to buy office supplies for resale, ask whether they intend to sell the office supplies in their business. If the answer is yes, you should protect yourself by having the furniture maker specifically list "office supplies" on their resale certificate; otherwise, apply tax to the sale. Purchasers are subject to penalties and interest for the misuse of a resale certificate. Intentional misuse of a resale certificate can result in criminal prosecution.

If you paid sales tax to your supplier for items you purchased for business or personal use, but resell the items first, you can take a deduction on your tax return when you report the sale. You may deduct the amount you paid before sales or use tax was added, under "*Cost of Tax-Paid Purchases Resold Prior to Use*" on your sales and use tax return.

Verifying a seller's permit number on a resale certificate

To verify that your customer holds a valid seller's permit, please visit www.boe.ca.gov or call our automated toll-free number at 888-225-5263, available 24 hours a day, seven days a week. Please have the seller's permit number you want to verify, the business name and address, and the business owner's name.

Misuse of a resale certificate

If a purchaser gives a resale certificate when purchasing an item that they know at the time will not be resold in the regular course of business, the purchaser will be liable for:

- The amount of tax that would be due had the certificate not been used, and
- Interest on the tax due (computed from the time the item was purchased).

Sales and Use TAX FACTS

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For additional information you may download regulations, forms and publications from our website or you may call our Taxpayer Information Section to talk to a Board of Equalization representative.

BOE website and Board Member contact information:
www.boe.ca.gov

Taxpayer Information Section
800-400-7115
TDD/TTY 800-735-2929

Taxpayers' Rights Advocate
888-324-2798



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In addition, the purchaser may have their seller's permit revoked and may be required to pay one or both of the following:

- A penalty of 10 percent of the tax or \$500, whichever is greater, for each purchase made for personal gain or to evade payment of tax.
- A 25 percent penalty for fraud or intent to evade the tax.

A violation may be considered a misdemeanor under Sales and Use Tax Law section 7153 if a resale certificate is provided with the intent to evade reporting or paying tax to the seller. Intent is shown if the purchaser knew at the time of purchase the item would be used rather than resold. Each offense is punishable by a fine of not less than \$1,000 and not more than \$5,000, imprisonment not exceeding one year, or both the fine and imprisonment.

Content of a resale certificate

Any document, including a letter, note, purchase order, or preprinted form, can serve as a resale certificate, provided it contains *all* of the following information:

- The name and address of the purchaser's business.
- The purchaser's seller's permit number (see *Note*, below).
- A description of the property to be purchased (see "Repeat customers and customers who use purchase orders" below).
- A statement that the described property is being purchased for resale. See "Repeat customers and customers who use purchase orders" below.
- The date of the document.
- The signature of the purchaser, purchaser's employee, or authorized representative.

Note: Certain businesses are not required to hold seller's permits. They may, for example, sell only in interstate and foreign commerce or sell only products that are tax-exempt (such as raw fruits and vegetables). Such businesses should note on their resale certificates that they do not hold a permit and state the reason a permit is not required.

We do not publish resale certificates. However, you may download a [BOE-230, General Resale Certificate](#) from www.boe.ca.gov or obtain a copy through our Taxpayer Information Section fax-back system. A sample is also available in [publication 73, Your California Seller's Permit](#), and in [Regulation 1668, Sales for Resale](#).

Repeat customers and customers who use purchase orders

Repeat customers do not have to issue you an individual resale certificate for each of their purchases. They can, instead, provide one blanket resale certificate with a general description of the products they will buy. If they make a purchase that is not for resale, they should be sure to let you know so that you can properly apply tax.

A customer who uses purchase orders may state *see purchase order* in the property description section of the resale certificate. Each purchase order must then specify whether or not the property covered by the purchase order is purchased for resale. This is then considered a qualified resale certificate. The use of the phrases "for resale," "resale = yes," "nontaxable," "taxable = no," or similar terminology on a purchase order, indicating that tax or tax reimbursement should not be added to the sales invoice will be regarded as designating that the property described is purchased for resale, provided the combination of the purchase order and the qualified resale certificate contains all the essential elements of a resale certificate (as provided in the previous section).

However, a purchase order that only shows the tax amount as \$0 or is left blank will not be accepted as designating that the property is purchased for resale. The purchase order must also include the phrase “for resale” or other terminology described above to specify that the property is purchased for resale. If each purchase order is not specific, or is not issued timely, as explained below, it will be presumed that the property covered by that purchase order is subject to tax. If the purchase order includes both items to be resold and items to be used, the purchase order must specify which items are purchased for resale and which items are purchased for use. For example, a purchase order issued for raw materials for resale and also for tooling used to process the raw materials should specify that the raw materials are purchased for resale and that the sale of the tooling is subject to tax.

Documenting sales for resale

You should retain copies of all resale certificates and any purchase orders issued with the qualified resale certificates in order to support your sales for resale.

Timely acceptance of resale certificate

When you make a sale for resale, you must obtain a resale certificate from your customer in a timely manner. Timely is considered to be any of the following:

- Before you bill them for the sale;
- At any time within your normal billing and payment cycle; or
- At any time prior to, or upon, delivery of the item.

Accepting a resale certificate late does *not* relieve you of liability for the tax. If we question a transaction and you accepted a certificate late, you will be required to present other satisfactory evidence to verify that the sale was a nontaxable sale for resale (see [Regulation 1668](#)).

Properly completing your sales and use tax return

You must report your total gross sales for the reporting period on your sales and use tax return. If your total sales include amounts you received from sales for resale, you should take a deduction for those amounts on the line set aside for sales to other retailers for purposes of resale. If you don't take the deduction, you'll pay more tax than you owe.

Related resources

- [BOE-230](#), *General Resale Certificate*
- [Publication 42](#), *Resale Certificate Tips*
- [Publication 73](#), *Your California Seller's Permit*
- [Regulation 1668](#), *Sales for Resale*

Note: This publication summarizes the law and applicable regulations in effect when the publication was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this publication and the law, decisions will be based on the law and not on this publication.