

## What is Use Tax and the 20% Rebate Program ?

Use Tax is the partner to Sales Tax and is imposed on purchases from out-of-state vendors. Its is also imposed on leases of equipment from California or out-of-state vendors.

There are currently two ways Los Angeles businesses pay Use Tax:

1. Los Angeles businesses pay the out-of-state vendor at the time of purchase or lease and do not qualify for a rebate.

-OR-

2. Businesses with a Direct Payment Permit pay Use Tax directly to the State through their normal Sales Tax Return reporting process and qualify for a 20% rebate from the City of Los Angeles.

### Benefits of Direct Payment

Choosing a Direct Payment Permit benefits your business and your community.

#### GET MORE

Direct 100% of your Use Tax back to your community's general fund for public safety, parks, libraries, infrastructure and other city services. **You can participate in the City's Use Tax Rebate Program and receive a rebate of 20% on the additional Use Tax remitted to the City (67.5%).**

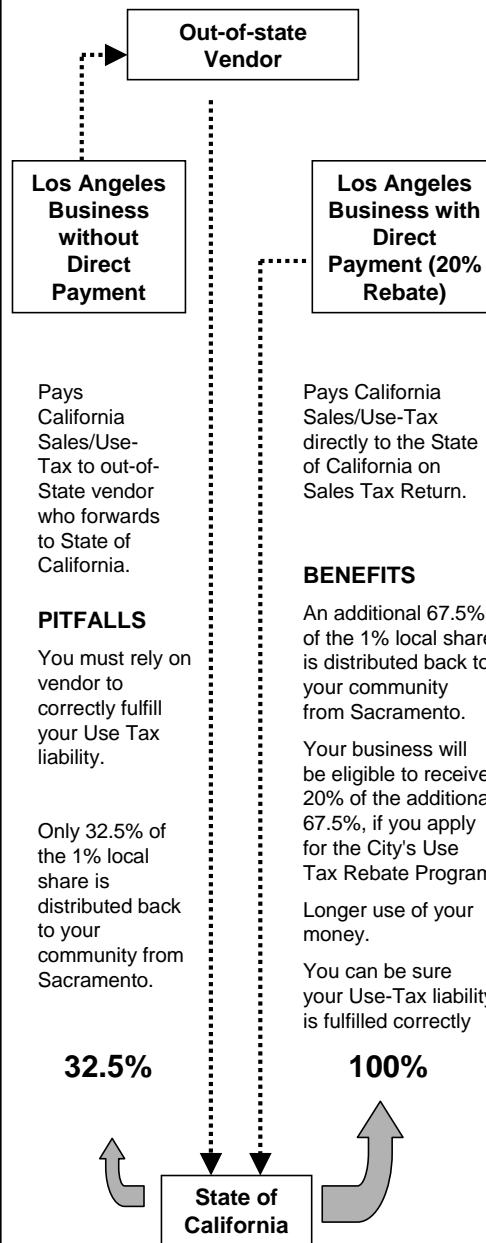
#### PAY DIRECT

Extend the use of your money.

#### WORRY LESS

Reduce your tax liability risk should an audit occur.

### Pay Your Vendor Vs. Pay Direct (20% Rebate)



## 20% Rebate Program and Direct Payment Permit

### -Frequently Asked Questions-

#### Q. How does the City's rebate program work?

A. The rebate program provides the business a rebate of 20% on the additional State collected use tax (67.5%) subsequently remitted to the City as a result of the business entering the State's Use Tax Direct Payment Permit program.

#### Q. How much is a State Direct Payment Permit and how much does it cost?

A. A Direct Payment Permit is similar to your Sales & Use Tax Permit, and also is issued by the State of California Board of Equalization, at no charge. The Direct Payment Permit changes the way the State distributes your paid local Sales/Use Tax, allowing your city & community to receive increased tax benefits.

#### Q. Who can qualify for a State Direct Payment Permit?

A. Any business can qualify if they have had purchases subject to Use Tax in the amount of \$500,000 in a 12-month period prior to permit application. All governmental entities qualify automatically. The City of Los Angeles has one and the community benefits from its use.

#### Q. If my business qualifies, how does it work?

A. You will be issued a Use Tax Direct Payment Exemption Certificate which can be reproduced and given to vendors for your purchases and leases of property, that otherwise would be subject to Use Tax. You will report and remit the Use Tax directly to the California State Board of Equalization on either your Sales & Use Tax Return or Consumer Use Tax Return.

#### Q. What benefits are there for getting a State Use Tax Direct Payment Exemption Certificate?

A. The benefits are many, including the ability to register for and receive rebates under the City's Use Tax Rebate Program, the extended use of your money for a longer period of time since you are no longer paying tax at the time you pay your invoices; and, you need not worry about a third party correctly fulfilling your Use Tax responsibility. The Permit allows you to pay your Use Tax directly to the State Board of Equalization through your normal reporting process. Direct Payment Permits are already common in most states.

#### Q. How does my community benefit from my business using a State Direct Payment Permit?

A. Currently, when you pay California Sales/Use Tax to a lessor or an out-of-state vendor, your community actually receives only a small fraction (approximately 32.5%) back of the 1% local share. However, using a Direct Payment Permit, your community would receive 100% of the 1% local share back, benefiting your city's general fund for public safety, parks, libraries, infrastructure and a variety of other services.

#### Q. How can I get a State Direct Payment Permit?

A. To obtain an application for a Direct Payment Permit, or for assistance or information on the City of Los Angeles' Use Tax Rebate Program, please call (213) 928-9284 (voice), (213) 928-9241 (fax) or e-mail USETAX@LACITY.ORG