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State, Local, and District Sales and Use Tax Return

Return and Schedule A Instructions 05-1



General Information

These instructions are provided to help you complete your California sales and use tax return. If you need help, please call the toll-free Information Center at 800-400-7115. Our customer service representatives can help you with general tax questions. They are available from 8:00 a.m. to 5:00 p.m., Pacific time, Monday-Friday, excluding holidays. For TDD (telephone device for the deaf) assistance, please call 800-735-2929 (TDD phone) or 800-735-2922 (voice phone).

Due to changes that have occurred in the state portion of the sales and use tax rate (for example, the one-quarter percent decrease that was in effect from January 1, 2001 through December 31, 2001), you may be required to complete a *Tax Adjustment and Partial Exemption Worksheet* (form BOE-531-T). You must use this worksheet to correctly calculate your tax liability if you had transactions or tax recovery deductions on lines 10(a) through 10(e) that occurred before or after changes in the state tax rate.

E-Filing Option

If you are a single-outlet retailer and file a BOE-401-A return, you may be eligible to make your payments and file your returns online. For more information, go to www.boe.ca.gov and click on "Electronic Services."

Filing Your Return

The BOE-401-A and BOE-401-GS returns are used to report taxes due under the California Sales and Use Tax Law, the Uniform Local Sales and Use Tax Law, and the Transactions (Sales) and Use Tax Law, which are administered by the State Board of Equalization.

You must file a return even if you do not owe taxes for the reporting period. If you are unable to file your return on time, you may qualify for an extension. To request an extension, you will need to complete form BOE-468, *Request for Extension of Time to File*. You may call 800-400-7115 to request a copy of the form. You can also download a copy from our website at www.boe.ca.gov, under "Forms, Publications, Reports & News." If you do not file a return, we may bill you for an estimated tax amount.

When completing your return, please remember . . .

- You should round off to the nearest whole dollar.
- You may be required to complete and return Schedule T (see instructions for form BOE-531-T).
- You must complete Schedule A, *Computation Schedule for District Tax* (see pages 7-8).
- You must sign, date, and mail your return to the address shown on page 1 of your return, with full payment by the due date. (If you are e-filing, you do not file a paper return. See above.)
- Be sure to make a copy for your records.
- If a paid preparer completed your return, enter the preparer's name and telephone number in the space provided on the return.

Payment Methods

If you are registered with the Board to pay taxes by electronic funds transfer (EFT), you must continue to use that method. Otherwise, you may pay as follows:

- **Check or money order.** Make your check payable to the Board of Equalization and write your account number on the check or money order. Be sure to enclose your payment with the return.
- **Credit card.** You must file your return by the due date when making a credit card payment to avoid a 10 percent penalty. You can charge your tax return payment if you have a Discover/Novus, MasterCard, or American Express credit card. Other cards cannot be accepted.

To make a credit card payment, call 800-2PAY-TAX (800-272-9829) or visit our website at www.boe.ca.gov (click on "Electronic Services"). The credit card processing vendor will charge a convenience fee of 2.5 percent of the amount charged. This convenience fee is not paid to or retained by the Board. Be sure to check the box on your return indicating you have paid by credit card. This will ensure that your return is matched up to your credit card payment.

Note: You cannot use a credit card to pay a tax liability that was billed by the Board.

Lines 1 thru 3

Sales • Purchases Subject to Use Tax

Line 1. Total Sales (gross receipts)

Enter your total taxable and nontaxable sales for the reporting period, including lease and rental receipts.

Report all sales (in any manner) related to California business. You will deduct nontaxable transactions on lines 4 through 10(f).

Notes:

- Include all charges related to your sales, such as labor, service, and shipping and handling charges.
- If you sold any business assets, such as fixtures and equipment, during the reporting period, you must report the sale. If you are filing your final return and reporting the sale of the business assets, see the last bullet under "Line 2. Purchases Subject to Use Tax."
- Your "total sales" may include amounts for California sales or use taxes. If this is the case, be sure to deduct those tax amounts on line 9. If you do not, you will overpay tax.

Line 2. Purchases Subject to Use Tax

Enter your total *purchases* that are subject to use tax, as explained below.

Your purchases of merchandise, equipment, and other tangible personal property are subject to use tax and must be reported if you

- Purchased the property from an out-of-state retailer who did not collect California use tax, or
- Purchased the property with a resale certificate or other exemption certificate

AND

- Used the property in California for a purpose other than (1) resale or (2) demonstration, retention, or display while holding it for sale in the regular course of business.

You must also report your purchase of a vessel or aircraft if you (1) purchased it from an unlicensed retailer who did not charge tax on the transaction and (2) used the property for a purpose other than resale as described above.

Enter the amount you paid for the property.

Notes:

- If you paid another state's sales or use tax on your purchase, do not include the tax payment as part of your purchase price. You may be eligible for a credit for the other state's tax (see line 20).

- If you are reporting property purchased with a resale certificate, report the purchase price on the tax return for the reporting period during which you first used the property in California.
- If you are reporting property purchased from an out-of-state retailer who did not charge you for California tax, report the purchase price on the tax return for the reporting period during which you first used the property in California.
- If you are closing out your seller's permit and have sold fixtures and equipment, you should report the sales price and identify the sale as "fixtures and equipment" on line 2 of your final sales and use tax return. You must also report any inventory you intend to retain for your own use or for use as a gift, that was purchased for resale without the payment of tax or tax reimbursement, on line 2 of your final sales and use tax return and identify it as "retained inventory." Sales of inventory to another retailer or to the purchaser of your business are not taxable, but should be reported as "Sales for Resale" on line 4 of your return. A resale certificate should be obtained from the buyer and saved in your records. For more detailed information, see Publication 74, *Closing Out Your Seller's Permit*.

Line 3.

Add lines 1 and 2. Enter the result on line 3.

Lines 4 thru 10(f)

Exemptions/Deductions

The following transactions are not subject to tax and will be subtracted from the total on line 3. First you must complete the exemptions on the back of your return.

You cannot claim a deduction for a transaction unless it has been reported on line 1 or 2 of this return or a previous return. If you did not report the original sale, you cannot claim a deduction related to that sale, unless you are a "lender" registered with the Board.

You must maintain records that support all claimed deductions.

Line 4. Sales to Other Retailers for Purposes of Resale

Enter your total sales to other sellers who submitted resale certificates to you for their purchases.

In general, you can accept resale certificates from other sellers who are buying

property to resell in the regular course of business. If you obtain a timely and valid resale certificate, taken in good faith, tax will not apply to your sale.

To be valid, resale certificates must contain specific information. For more information, see Regulation 1668, *Sales for Resale*.

You can verify the validity of seller's permits by calling the Board's Seller's Permit Verification service at 888-225-5263 or by visiting our website, www.boe.ca.gov.

Line 5. Nontaxable Sales of Food Products

Enter your *nontaxable* sales of food products sold for human consumption.

Whether food product sales are taxable depends on many conditions, including who makes the sale, where the sale occurs, who the customer is, and what is sold. For example, the following sales are generally taxable and should not be deducted:

- Sales of alcoholic and carbonated beverages
- Sales of hot prepared food products
- Sales of meals or food sold for consumption at your place of business or sold for consumption in a place where admission is charged.

For more information on food sales, request a copy of Regulation 1602, *Food Products*, or Regulation 1603, *Taxable Sales of Food Products*. Vending machine operators should order Regulation 1574, *Vending Machine Operators*.

Line 6. Nontaxable Labor

Enter labor charges for *installing* premanufactured property or for *repairing* or *reconditioning* property to restore it to its original use.

Note: Labor charges for making or fabricating a new product (such as labor charges for making a ring or furniture), or for assembling a product, are generally taxable and should not be deducted. Tax applies even if your customer provides the property that you fabricate.

(Regulation 1546, *Installing, Repairing, Reconditioning in General*)

Line 7. Sales to the United States Government

Enter sales made to:

- The United States government or its unincorporated agencies and instrumentalities,

such as the following federal departments: Treasury, Interior, Agriculture, or Defense

- Any incorporated agency or instrumentality of the United States wholly owned by either the United States, or by a corporation wholly owned by the United States
- The American Red Cross, its chapters and branches
- Federal reserve banks, federal credit unions, federal land banks, and federal home loan banks.

Note: Sales made to the State of California or to cities and counties and local governments in the state are generally taxable and should not be deducted. They are treated like any other sale.

(Regulation 1614, *Sales to the United States and Its Instrumentalities*)

Line 8. Sales in Interstate or Foreign Commerce

Enter sales that are exempt from tax as interstate or foreign commerce (sales involving shipments or deliveries from California to points outside this state).

For a sale to be exempt, the sales agreement or contract must require the property to be shipped to an out-of-state point, and you must either

- Use your company vehicle (or other conveyance operated by your business) to ship the property to that location, or
- Deliver the property to a carrier, customs broker, or forwarding agent for shipment outside this state.

(Regulation 1620, *Interstate and Foreign Commerce*)

Line 9. Sales Tax

Enter an amount on this line only if the amount you reported on line 1 includes California sales or use taxes. Enter only the tax amounts that are included on line 1.

(Regulation 1700, *Reimbursement for Sales Tax*)

Line 10(a)(1). Bad Debt Losses – On Taxable Sales

Enter bad debt losses, as described below.

If you have reported a taxable sale and have been unable to collect payment for the sale, you may take a deduction for the bad debt.

Bad debts may take the form of

- Checks that have been returned to you unpaid by the purchaser's bank and which you have determined to be uncollectible, or

- Amounts from charge or credit sales that you have determined to be uncollectible.

The bad debts must be charged off for income tax purposes, or, if you are not required to file income tax returns, the bad debts must be charged off in accordance with generally accepted accounting principles.

Enter only the amount of the sale *before* tax. For example, if you sold merchandise for \$15 plus sales tax and were unable to collect any amount for the sale, you would claim \$15 as a deduction.

If you claim a bad debt deduction and later recover payment, you must report the payment on the tax return filed for the period in which the recovery payment was made.

You must adjust the amount you report for transactions that occurred during a period when the state or county tax rates were different than the current rates. Call for assistance.

(Regulation 1642, *Bad Debts*)

Line 10(a)(2). Bad Debt Losses – Lenders

If you are registered with the Board of Equalization as a Lender, you may be entitled to deduct certain bad debt losses on the lender portion of your business. There are a number of requirements to qualify for this deduction. For detailed information, please review Regulation 1642, *Bad Debts*.

Line 10(b). Cost of Tax-Paid Purchases Resold Prior to Use

You may claim a deduction on this line if you

- Paid California sales or use tax when purchasing goods or merchandise, and
- Sold the property without first using it (other than retaining, demonstrating, or displaying it while holding it for sale in the regular course of business).

Enter only the amount of the purchase price *before* tax. For example, if the property was sold to you for \$15 plus tax, you would claim only \$15 as a deduction.

You must take this deduction in the reporting period during which you made the sale (otherwise, you must file a claim for refund of the tax).

You must adjust the amount you report for purchases that occurred during a period when the state or county tax rates were different than the current rates. Call for assistance.

(Regulation 1701, *Tax-Paid Purchases Resold*)

Line 10(c). Returned Taxable Merchandise

Enter amounts you credited or refunded to customers for returned taxable merchandise, as described below.

You can take this deduction only if

- You returned or credited to your customer the full sales price, including sales tax charges, *and*
- The customer, in order to obtain the refund or credit, is not required to purchase other property at a price greater than the amount charged for the property returned.

Claim only the amount of the sale *before* tax. For example, if the returned merchandise had been sold for \$15 plus sales tax, you would claim only \$15 as a deduction.

You must adjust the amount you report for transactions that occurred during a period when the state or county tax rates were different than the current rates. Call for assistance.

(Regulation 1655, *Returns, Defects and Replacements*)

Line 10(d). Cash Discounts on Taxable Sales

If you gave a cash discount to a customer on a taxable sale, enter the amount of the discount here.

You can claim a deduction on this line only if you reported the full (undiscounted) selling price on line 1. Do not use this line if you reported the discounted selling price on line 1 of this return or a previous return. In addition, you must ensure that you do not collect from your customer more tax than the amount due on the discounted price. If you collect more than the amount due on the discounted price, you cannot claim this deduction.

You must adjust your total for this line if any of the transactions occurred during a period when the state or county tax rates were different than the current rates. Call for assistance.

(Regulation 1671, *Trading Stamps and Related Promotional Plans*; Regulation 1700, *Reimbursement for Sales Tax*)

Line 10(e). Partial Tax Exemptions

Note: If you are claiming any deductions for line 10(e) that occurred prior to July 1, 2004, you must complete Schedule T.

The following transactions are exempt from the state portion of the total sales and use tax rate. They remain subject to 2.00 percent of the total sales and use tax rate, representing local, city, and county taxes. They are also subject to any applicable district taxes.

To claim a deduction for any of the following items that occurred prior to July 1, 2004, you must complete page 3 of the BOE-531-T.

Exemption Certificate Requirements — Lines 10(e)(3) Through 10(e)(6)

Retailers who wish to claim a partial exemption must timely obtain from purchasers a valid exemption certificate as described in Regulation 1667. The Board has designed a specific certificate for this purpose, entitled "Certificate of Partial Exemption." The certificate is available on our website, www.boe.ca.gov, or call our Information Center for a copy. Retailers must retain the completed certificate for a period of not less than four years.

Line 10 (e)(1). Manufacturer's Equipment

The manufacturing exemption was discontinued December 31, 2003. This deduction can only be taken if you are claiming a bad debt deduction on sales originally reported prior to December 31, 2003. Enter the amount of the bad debt deduction for "Manufacturing Equipment Partial Exemption" amount from Column D of the Partial State Tax Exemption Worksheet located on page 3 of your Schedule T.

Line 10(e)(2). Teleproduction Exemption

Enter the "Teleproduction Partial Exemption" amount from Column D of the Partial State Tax Exemption Worksheet located on page 3 of your Schedule T.

Complete this line to claim an exemption for sales or purchases made by qualified persons of tangible personal property used primarily

- In teleproduction or other postproduction services for film or video that include editing, film and video transfers, transcoding, dubbing, subtitling, credits, close captioning, audio production, special effects (visual or sound), graphics, or animation, or
- With respect to property with a useful life of at least one year, to maintain, repair, measure, or test property used primarily in teleproduction or other postproduction services.

A qualified person is a business that is primarily engaged in providing the specialized

motion picture or video postproduction services described above.

A qualified purchaser must provide the retailer with a *Section 6378 Exemption Certificate*; otherwise, the exemption will not be allowed.

This exemption does not apply to the sale or use of any tangible personal property that is used primarily in administration, general management, or marketing (used 50 percent or more of the time in one or more of those activities).

(Regulation 1532, *Teleproduction or Other Postproduction Service Equipment*)

Line 10(e)(3). Farm Equipment

Enter the "Farm Equipment Partial Exemption" amount from Column D of the Partial State Tax Exemption Worksheet located on page 3 of your Schedule T.

Complete this line to claim a partial exemption for the sale, storage, use or other consumption of qualified farm equipment, machinery and their parts, as described below. It also applies to qualified lease payments for farm equipment and machinery rentals payable on or after September 1, 2001.

Who can claim a partial exemption?

You can claim this partial exemption if you are a person engaged in an agricultural business described in Codes 0111 to 0291 of the Standard Industrial Classification (SIC) Manual or are a person that assists such classified person by performing an agricultural service described in Codes 0711 to 0783 of the SIC manual

What type of equipment is eligible?

The partial exemption applies to

- "Implements of husbandry," as defined in Revenue and Taxation Code section 411. Such property generally includes any tool, machinery, equipment, appliance, device or apparatus. The farm equipment, machinery, and parts must be used **primarily** in producing and harvesting agricultural products. "Primarily" means 50 percent or more of the time.
- Property as defined in Chapter 1, Division 16 of the Vehicle Code used exclusively in agricultural operations. Such property under certain conditions, includes lift carriers, tip-bed type trailers, trailers/semi-trailers having no bed, spray or fertilizer applicator rigs, nurse rigs or equipment auxiliaries, row dusters, trap wagons, fertilizer nurse tanks or trailers, cotton trailers, truck tractors and truck tractor/semi-trailer combinations. Vehicles primarily designed for the transportation of persons or property on

a highway are generally **not** considered implements of husbandry and, therefore, **do not** qualify for this partial exemption.

Line 10(e)(4). Diesel Fuel Used in Farming and Food Processing

Enter the "Diesel Fuel Partial Exemption" amount from Column D of the Partial State Tax Exemption Worksheet located on page 3 of your Schedule T.

Complete this line to claim a partial tax exemption for the sale, storage, use, or other consumption of diesel fuel used in farming or food processing activities.

The diesel fuel must be consumed during the activities of a farming business as set forth in Internal Revenue Code (IRC) 263A or food processing. A farming business is a business that grows crops, fruit- or nut-bearing trees, sod, or nursery plants. Farming activities also include transporting these crops, fruit or nut bearing trees, sod, or nursery plants to the marketplace.

Line 10(e)(5). Timber Harvesting Equipment and Machinery

Enter the "Timber Harvesting Equipment & Machinery Partial Exemption" amount from Column D of the Partial State Tax Exemption Worksheet located on page 3 of your Schedule T.

Complete this line to claim a partial exemption of the sales and use tax for the sale, use, or other consumption of timber harvesting equipment, machinery, and their parts. Such equipment and machinery must be designed for use 50 percent or more of the time off-road in commercial timber harvesting and be used 50 percent or more of the time in timber harvesting. A qualified person is a person who is engaged in commercial timber harvesting. Commercial timber harvesting involves the cutting or removal, or both, of timber and other solid wood forest products from timberlands for commercial purposes. The partial exemption also applies to a qualified person's lease payments for qualified commercial timber harvesting equipment and machinery rentals payable on or after September 1, 2001.

Timber is considered to be trees of any species, excluding nursery stock, harvested for forest products. These products include firewood, Christmas trees, poles and pilings, biomass, and so forth.

Typical off-road commercial harvesting equipment and machinery and their general use, that may be eligible for this partial exemption include:

- Tractors or rubber tired skidders - move the logs from the woods to the logging trucks

- Front end loaders - load logs onto trucks
- Feller-bunchers - cut very small trees.
- Cable Yarders - harvest trees on very steep slopes by suspending the logs on a cable
- Chippers - chip small logs and brush into very small pieces
- Chainsaws - used to cut down trees.

Line 10(e)(6). Racehorse Breeding Stock

Enter the "Racehorse Breeding Stock Partial Exemption" amount from Column D of the Partial State Tax Exemption Worksheet located on page 3 of your Schedule T.

Complete this line to claim a partial exemption of the sales and use tax for the sale, storage, use, or other consumption of "racehorse breeding stock."

"Racehorse breeding stock" means racehorses capable of and purchased solely for the purpose of breeding.

Line 10(f). Other Deductions

You may be entitled to claim other deductions in addition to those allowed on lines 4 through 10(e). Enter the amount for those deductions here. Each deduction must be clearly explained.

Examples of transactions that may be deductible include the following:

- Sales by pharmacists of prescription medicines for use by humans. (Regulation 1591, *Medicines and Medical Supplies, Devices and Appliances*)
- Transportation charges for delivering goods to a purchaser by an independent carrier (the transportation charges must be separately stated on the invoice). If you charge more for delivery than your actual costs, the added amount is subject to tax and cannot be deducted. (Regulation 1628, *Transportation Charges*)
- Sales of animals, seeds, plants and fertilizer, used as, or used to produce, food for human consumption. (Regulations 1587, *Animal Life and Feed*, and 1588, *Seeds, Plants and Fertilizers*)

For more information, request a copy of Publication 61, *Sales and Use Taxes: Exemptions and Exclusions*.

Lines 11 thru 26

Add lines 4 through 10(d), box 61, and line 10(f) on the back of the return. Enter the result on line 11 on the back of your return. Enter that result on line 11 on the front of your return.

Line 12. Transactions Subject to State Tax

Subtract line 11 from line 3. Enter the result on line 12.

Line 12(a). Transactions Subject to the Sales Tax Rate Change

If you had transactions and/or tax recovery deductions that occurred during any changes to the state tax rate, you must complete Schedule T (form BOE-531-T). This form is available at our website at www.boe.ca.gov. Detailed instructions to complete the worksheet are included on the back of the form.

Line 13. State Tax

If you are required to complete Schedule T, *Tax Adjustment Worksheet* (form BOE-531-T), enter the amount from line 13 Column D of the worksheet.

If you are not required to complete Schedule T, *Tax Adjustment Worksheet* (form BOE-531-T), multiply line 12 by the state tax rate that is printed on line 13 and enter the result on line 13.

Line 14(a). Transactions Subject to County Tax

Add the amount in box 61 to line 12. Enter the result on line 14(a).

Line 14(b). County Tax 1/4 percent

Multiply line 14(a) by 0.0025. Enter the result on line 14(b).

Line 15. Adjustments for Local Tax

Complete this line if you sold or purchased property for use by an aircraft common carrier, as described below. If you make an entry on this line, you may also need to include a schedule that shows where the property was sold or used.

Sales of property to (and purchases made by) aircraft operators are exempt from district tax and partially exempt from the 3/4 percent local and county tax if

- The aircraft is operated by a common carrier according to the laws of California, the United States, or a foreign government, and

- The property is used or consumed directly and exclusively in the use of the aircraft as a common carrier of persons or property, and
- The property is used or consumed principally outside the county in which the sale was made.

Note: The exemption does not apply to the sale or purchase of fuel and petroleum products.

If you made a sale or purchase that meets the conditions described above, you may claim the applicable exemption by completing line 15 as described below.

Adjustment for taxable sales

The sale of supplies and equipment, other than fuel and petroleum products, purchased and used as described above, is exempt from the 1 percent combined state and local tax.

To calculate this adjustment:

- Be sure the sales price has been included on line 1.
- Enter the sales price on line 15. This amount will be subtracted from the total on line 14(a).

If you are a multiple outlet seller, please attach a schedule showing the sales price by the place of sale. You can attach your own listing, or you can request a copy of form BOE-531-X: *Schedule X, Detailed Allocation by County of Sales Exempt from Combined State and Local Tax*.

Adjustment for purchases

If you paid state, county, and 3/4 percent local tax when purchasing property used for an exempt purpose, as described above, your purchase is exempt from the 3/4 percent local tax.

Enter the purchase price of the property on line 15.

Please attach a schedule showing the purchase price by county of use. You can attach your own listing, or you can request a copy of form BOE-531-X: *Schedule X, Detailed Allocation by County of Sales Exempt from Combined State and Local Tax* by calling, 800-400-7115.

(Regulation 1805, *Aircraft Common Carriers*)

Line 16. Transactions Subject to Local Tax

Add or subtract line 15 to or from line 14(a). Enter the result on line 16.

Line 17. Combined State and Local Tax 1 percent

Multiply line 16 by 0.01. Enter the result on line 17. As of July 1, 2004 the 1 percent tax rate represents 1/4 percent for State Tax and 3/4 percent for Local Tax.

Line 18. District Sales and Use Tax

You must complete form BOE-531-A, Schedule A, *Computation Schedule for District Tax*. See pages 7 and 8 for more information.

Line 19. Total State, County, Local and District Tax

Add lines 13, 14(b), 17, and 18. Enter the result on line 19.

Line 20. Property Purchased Out of State for Use in California (credit for another state's tax charges)

Enter the amount of tax paid on this line if

- The property was purchased out of state and brought into California for use, consumption, or storage in this state, and not for resale in the regular course of business, and
- You paid another state's sales or use tax on your purchase of the property, and
- You are not entitled to a tax refund from the other state, and
- Your liability for tax in the other state occurred prior to your use, storage, or consumption of the property in California, and
- You have reported the purchase price on line 2, "Purchases Subject to Use Tax."

Notes:

- The amount of your tax credit cannot exceed the total of the applicable California state, county, local and district taxes in effect at the time of the use. For example, if you paid 8 percent sales tax charged by another state and used the property in California in an area where the total state, county, local, and district tax rate was 7.75 percent, you could not claim more than a 7.75 percent credit.
- If you are required to complete either Schedule B or C, attach a separate schedule fully explaining the credit taken on line 20, the location where the property was used, its purchase price, and the amount of tax paid in other states.

- You may be required to present documentation to substantiate the credit taken against California tax (such as a purchase invoice or similar document showing the name and address of the seller, date of purchase, purchase price, and amount of sales or use tax paid).

Please contact the Information Center if you are uncertain as to the correct amount of credit to claim.

Note—Fuel sellers: Please complete the Schedule G, *Fuel Seller's Supplement to Return*, included with your sales and use tax return (BOE-401-GS). The amount entered on line G-5 of the schedule should also be entered on line 20 of the return.

Line 21. Net Tax

Subtract line 20 from line 19. Enter the result on line 21.

Line 22. Tax Prepayments

Complete this line only if you are required to make tax prepayments. (Businesses with average monthly taxable transactions of \$17,000 or more must make prepayments, once notified by the Board.)

Enter the prepayment amounts in the proper spaces. This credit is limited to the amounts of tax prepaid and should not include penalties or interest charges reported with your prepayments.

Note: If you sell fuel and pay sales tax to your fuel supplier, do not use this line to claim a credit for those tax payments. Credit can be claimed on Schedule G, *Fuel Seller's Supplement to Return*.

Line 23. Remaining Tax

Subtract line 22 from line 21. Enter the result on line 23.

Line 24. Penalty

If your tax payment is made, or your tax return is filed, after the due date shown at the top of the return, you must pay a 10 percent penalty. Multiply line 23 by 0.10 and enter the result on line 24.

Returns and payments must be postmarked or received by the due date of the return to be considered timely. If the due date falls on a Saturday, Sunday, or state holiday, returns postmarked or received by the next business day will be considered timely.

Businesses required to pay sales and use taxes by electronic funds transfer (EFT) may also be subject to a 10 percent penalty for failure to pay by EFT (payment made by check, for example). However, a 10 percent maximum penalty applies to returns and return payments after January 1, 1997.

Line 25. Interest

If your payment is late (see line 24 instructions for an explanation of due dates), you must pay interest charges in addition to penalty charges.

You owe one month's interest for each month or portion of a month the payment is overdue. For example, if your payment is one month and two weeks overdue, you owe two months' interest.

Using the interest rate printed on line 25 of your return, multiply the rate times the total tax owed. Enter the result on line 25.

Reminder: If you owe two or more months' interest, as described above, you must multiply the amount due by the number of months overdue.

Line 26. Total Amount Due and Payable

Add lines 23, 24, and 25. Enter the result on line 26.

See page 1 for acceptable payment methods.