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Tax Tips for Grocery Stores

(Sales and Use Taxes)

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Note: This pamphlet summarizes the law and applicable regulations in effect when the pamphlet 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 pamphlet and the law, the latter is controlling.

PREFACE

This pamphlet is designed for owners, managers, and other operators of grocery stores and provides basic information on the application of the California Sales and Use Tax Law to grocery store sales and purchases.

For purposes of this pamphlet, a grocery store is an establishment having as its principal line of business the sale of food products and related items. The term includes separate grocery departments in department stores but does not include delicatessens, country or general stores, and establishments that handle groceries as a sideline.

If you cannot find the information you are looking for in this booklet, please call our Information Center and speak to a representative or use the automated information services. See page x for information about the Center.

This pamphlet complements another Board of Equalization publication, *Your California Seller's Permit*, which includes general information about obtaining a permit; using a resale certificate; collecting and reporting sales and use taxes; buying, selling, or discontinuing a business; and keeping records. To request a copy, please see page 21.

We welcome your suggestions for improving this or any other tax tip pamphlet. Please send your suggestions to:

Audit Evaluation and Planning Section
Board of Equalization
450 N Street MIC 40
P.O. Box 942879
Sacramento, CA 94279-0040

1. GENERAL APPLICATION OF TAX

It is important to understand the taxability of sales of food, merchandise, and other tangible personal property. Some sales will be taxable, while others will not. This chapter is designed to answer many of the questions commonly asked by grocers. If your questions are not answered, please call our Information Center for assistance (see page 21).

Taxable and Nontaxable Sales —An Overview

All tangible personal property sold by grocery stores is subject to sales tax, unless the item is specifically exempt by law, as for example, food products for human consumption.

■ Taxable Sales

Sales tax generally applies to sales of:

- Over-the-counter medicines, such as aspirin, cough syrups, cough drops, throat lozenges, and so forth
- Drug sundries, toys, hardware, and household goods
- Books and publications
- Newspapers and periodicals
- Cosmetics
- Alcoholic beverages
- Carbonated soft drinks and mixes
- Carbonated and effervescent water
- Sparkling mineral water
- Tobacco products
- Dietary supplements
- Medicated gum (Nicorette, Aspergum)
- Soaps or detergents
- Cameras and film
- Clothing
- Ice
- Sporting goods
- Amino acids
- Nursery stock
- Pet food and supplies
- Hot prepared food products, and food sold for consumption on your premises (see page 4.)
- Fixtures and equipment used in an activity requiring the holding of a seller's permit, if sold at retail

■ Nontaxable Sales

Sales tax generally does not apply to sales of:

- Food products. This includes baby food, artificial sweeteners, candy, gum, ice cream, ice cream novelties, popsicles, fruit and vegetable juices, olives, onions, and maraschino cherries. Food products also include beverages and cocktail mixes that are neither alcoholic nor carbonated. The exemption applies whether sold in liquid or frozen form.
- Water. Bottled noncarbonated, noneffervescent water is exempt from tax.
- Baby formulas (including Isomil)
- Pedialtye
- Cooking wine
- Noncarbonated sports drinks (Gatorade, Powerade, All-Sport)
- Edge Bars, Energy Bars, Power Bars
- Granola Bars
- Ensure, Sustacal
- Martinelli's Sparkling Cider

The lists on the right are illustrative only and do not represent all taxable and nontaxable sales.

Food Product Sales

Although sales of food products for human consumption are generally exempt from tax, there are many sales of food products which are taxable. For example, you must report tax on sales of food products sold for consumption on your premises. Because certain sales of food products are taxable, it is important to understand when tax applies.

Exempt Food Products

Sales of food products for human consumption are generally exempt from tax. However, if an item does not qualify as a food product, or if it is not sold for human consumption, it is generally subject to tax.

For example, the following items do not qualify as food products and, as a result, are subject to tax:

- Ice
- Alcoholic beverages
- Tobacco products
- Carbonated beverages, including semi-frozen beverages containing carbonation, such as "Slush's" (see also note below)
- Over-the-counter medicines
- Coloring extracts
- Dietary supplements

Likewise, a food product sold for consumption by a dog, cat, bird and other domestic pets or for use as fish bait is subject to tax because it is not sold for human consumption.

Note: carbonated fruit juices. Carbonated products that qualify as 100 percent natural fruit juice are not subject to tax. If the fruit juice includes a preservative, such as sodium benzoate, or any other additive, it is not considered a natural fruit juice and is subject to tax.

Combination Packages

(exempt food products combined with nonfood products)

If you sell a combination package that includes exempt food products and nonfood products, the entire package is considered an exempt sale of food if

- The retail value of the food contents is at least 90 percent of the retail value of the total package contents, and
- The retail value of the package container is 50 percent or less of the retail value of the entire package

If you sell a combination that does not meet *both* of the conditions above, tax applies to the selling price of the entire package, less the value of exempt food products (see example 2, page 3).

Example 1

You sell a gift basket for \$60 which includes the following components:

	<i>Retail Value</i>
Fruit, cheese, crackers (exempt food products)	\$ 45.00
Small cheese knife (nonfood product)	5.00
<i>Total value of contents:</i>	<u>\$ 50.00</u>
Basket	<u>10.00</u>
<i>Total price of combination package</i>	\$ 60.00

The \$60 package is considered an exempt sale of food products because it meets both conditions listed above. The value of the

food items, \$45.00, is at least 90 percent of the \$50 total value of the contents. And the value of the container (the basket), \$10, is less than 50 percent of the retail value of the entire package.

Example 2

You sell a party tray for \$30 which includes the following components:

	<i>Retail Value</i>
Meat and cheese (exempt food products)	\$ 22.00
Serving utensil (nonfood product)	5.00
<i>Total value of contents:</i>	<u>\$27.00</u>
Tray	3.00
<i>Total value of combination package</i>	<u>\$30.00</u>

In this example, the retail value of the food products is below 90 percent of the retail value of the total package contents ($\$22 \div \$27 = 81\%$). Consequently, tax applies to the selling price of the package less the retail value of the exempt food products (that is, tax applies to the retail value of the tray and serving utensil).

Note: Your records must separately state the value of the food and nonfood items, and those values should be separated on the invoice or receipt.

***Dietary Supplements
(Health Foods)***

Sales tax generally applies to preparations in liquid, powdered, granular, tablet, capsule, lozenge and pill form sold as dietary supplements or adjuncts. If an item is sold in one of these specified forms, the following methods may be used to determine its taxability:

- If an item is described on its label or package as a food supplement, food adjunct, dietary supplement, or dietary adjunct, its sale would be subject to the sales tax.
- If an item is prescribed or designed to remedy specific dietary deficiencies or to increase or decrease generally those areas of human nutrition dealing with vitamins, proteins, minerals or calories, its sale would be subject to the sales tax.
- If an item is in one of the specified forms, it may be taxable if it is generally recognized as a dietary supplement, even though it is not described as such on its package and does not emphasize its vitamin, protein, mineral or calorie content. Examples include cod liver oil, wheat germ oil, and amino acid products.

Herbal Products

Sales of herbal products, including teas and tea capsules, are subject to tax if

- Medicinal claims are made on the label or packaging, or in catalogs, brochures, or other information distributed with the products, or
- The products are labeled, packaged, or otherwise marketed as food supplements or adjuncts.

If an herbal product is not marketed or sold as described above, it is considered an exempt food product.

To illustrate, if an herbal product is marketed with general claims about making a person "feel better," such a statement is not considered to be a medicinal claim. However, when herbal products claim to have general healing properties or to cure or alleviate specific ailments, such as Gypsy Cold Care Tea and Breathe Easy Tea, they are considered nonprescription over-the-counter medicines, and their sale is subject to tax.

Hot Prepared Food Products

Sales of hot prepared food products are subject to sales tax regardless of whether sold for consumption on the premises or sold "to go."

A food product is considered a hot prepared food product if it is heated to a temperature above room temperature. Hot food is considered a hot prepared food product even if it has cooled by the time of sale since it was intended to be sold as a hot food.

Examples of hot prepared food products include hot pizza, hot barbecued chicken, hot spareribs, hot popcorn, and hot nuts (if you sell nuts from an enclosed display case which is heated through the use of an ordinary light globe, the sales are sales of hot food products and are subject to sales tax). Hot bouillon, consommé, and soup are also considered hot prepared food products and their sale is subject to tax. However, tax does not apply to the sale of hot bakery items, hot coffee, and other hot beverages since they are not considered hot prepared food products.

Hot prepared food products also include a combination of hot and cold food items where a single price has been established for the combination. Examples include a combination of cole slaw, rolls, and hot chicken sold for a single price; and a doughnut and coffee sold for a single price.

Food Service Operations

If your store has a snack bar, soda fountain, cafeteria or a similar operation, you must report sales tax for sales of sandwiches, ice cream, and other foods if those foods are sold in a form for consumption at tables, chairs, or counters or from trays, glasses, dishes or other tableware which you provide. For example, if you provide either a stand-up or sit-down counter in the delicatessen section, tax applies to food sold for consumption at the counter.

With the exception of hot prepared food products described above, tax does not apply to your sales of food "to go." If you claim an exemption from tax for sales of this type, you must either: (1) show that no facilities are provided where the food can be consumed immediately; or (2) if such facilities are provided, keep a careful segregation of your receipts from such sales on separate cash register listings, on copies of sales slips, or in some similar record that can be verified by audit.

Catering. You are considered a caterer for tax purposes if you serve meals, food, and drinks on the premises of your customers. If you

make sales as a caterer, you should call our Information Center at 1-800-400-7715 and request publication 22, *Tax Tips for the Dining and Beverage Industry*, which includes a chapter on caterers. (Note: If you merely deliver food — that is, you do not use your employees or your own dishes, flatware, and so forth, to serve food, you are considered a food seller rather than a caterer. As a food seller, tax applies to your sales as described in this publication.)

Miscellaneous Charges and Transactions

The following information applies to a variety of sales and charges that occur at grocery stores. If you need additional information on a topic or if a topic is not listed that you need information for, please contact a nearby Board office.

Bottle Deposits

Deposits received on returnable containers are not subject to sales tax. This is true even though the bottles are not returned. However, when deposits received and refunded are not segregated in some manner in your records, it is presumed that the total deposits received are equal to the deposits refunded. You can deduct bottle deposits from your gross receipts on your tax return.

California Redemption Value

The California Redemption Value (CRV) fee applies to nonrefillable containers used for the following beverages.

- Beer and other malt beverages
- Carbonated mineral and soda waters
- Carbonated soft drinks in liquid form
- Wine and distilled spirits cooler beverages

Since you do not refund the CRV fee to your customer, the fee is considered part of the total selling price for the beverage. As a result, you are liable for tax on the CRV fee, as well as charges for the beverage and container. You must include the fee as part of your gross receipts on your tax return. (If you give away the beverage and charge only the CRV fee, tax still applies to the CRV.)

Posting requirements. If your sales and storage areas total more than 4,000 square feet, you are required to separately state the redemption value in all advertising and on the shelf. If possible, you should also separately state the redemption value on your customer cash register receipts.

The minimum redemption value set by law is currently two and one-half cents (2.5¢) per container.

Cigarette Rebates

If you sell cigarettes and receive a “buy-down rebate” from the manufacturer or other third party in exchange for reducing the selling price of your cigarettes, you are liable for tax on the rebate amount received. This is true whether the rebate is paid to you or to your distributor on your behalf. Likewise, tax applies whether or not you are required to redeem a coupon, sticker, or other indicia.

The tax amount due is based on your “gross receipts” for the sale — that is, the rebate amount and the amount paid by your customer. For example, assume you normally sell a package of cigarettes for \$2.00, but under a buy-down rebate plan, agree to sell the package for \$1.50 and receive \$0.50 from the manufacturer. Tax is due based on the \$2.00 you receive for the sale.

It should be noted that rebates received under a buy-down program are different from purchase discounts or credits independently offered by cigarette distributors or manufacturers in exchange for reducing the selling price for cigarettes. Such discounts and credits do not involve a rebate payment from the manufacturer or other third party and are not subject to tax.

Coupon Redemption

There are many types of coupon redemption plans used by grocers today. However, they generally fall into two categories: coupons sent out or published by individual grocers and coupons sent out or published by manufacturers. These categories are discussed below.

Note: Tax does not apply to coupons that are redeemed for nontaxable food products.

Retailers’ Coupons

If you publish or send out coupons that are redeemable for merchandise at your store and if you are not reimbursed in any manner by a manufacturer, the face value of the coupon is a cash discount. Consequently, tax applies to the selling price after the discount.

Cash discounts are deductible from reported taxable sales if the full amount of the sale, without deduction for the discount, is included in your reported total sales. Of course, if a manufacturer reimburses you under this plan based on coupons redeemed, the amount of the reimbursement becomes part of your gross receipts from the sale of the product and not a deductible item.

Manufacturers’ Coupons

When a manufacturer publishes or sends out coupons stating an amount a product’s selling price will be reduced, the amount you receive from the manufacturer for redemption of these coupons, excluding any handling allowance, represents a part of your gross receipts from the sale of the product, and is not a deductible item. Tax applies to the total gross receipts from the sale of taxable merchandise even though part of the sales price is paid by the customer and part is paid by the manufacturer.

The amount you receive from the manufacturer for the handling charge is not a part of your gross receipts. Many stores, however, use coupon redemption centers that make a charge for their services. If the service charge made by the coupon redemption center is greater than

the handling charge permitted by the manufacturer, the excess charge may not be deducted from your gross receipts.

Since the amount of a manufacturer's redemption is usually the face value of the coupon, no adjustment to your reported sales is necessary if your recorded sale of the product was not reduced by the face value of the coupon. If, however, your recorded sales amount has been reduced by the amount of the coupon, then the redemption received must be included in your reported sales.

Double-Discount Coupons

When a double-discount coupon is redeemed—consisting of a combined manufacturer's coupon and the retailer's own store discount coupon—the sales tax must be computed on the regular selling price of the taxable merchandise after deducting only the cash value or face value of the retailer's own discount coupon.

Grocery Store Discount Club Cards

If you offer price discounts to customers through the use of "discount club cards," the discount amount is not subject to tax. For tax reporting purposes, they are treated the same as cash discounts.

Federal Food Stamps

Any tangible personal property sold in exchange for federal food stamp coupons is exempt from sales and use tax. This includes sales that would otherwise be taxable. For example, sales of carbonated beverages are generally taxable, but if they are paid for with federal food stamps, their sale is exempt.

If you make sales in exchange for food stamps, you must account for the sales of normally taxable items purchased with food stamps in order to properly report your sales and use tax liability.

Rather than separately accounting for those sales, you can use one of the following two approved methods for computing the allowable deduction for redeemed food stamp coupons:

Method 1. You may take a deduction on your sales and use tax return of two percent of the total amount of food stamp coupons redeemed in the period for which the return is filed.

Method 2. Effective January 1, 1993, the Board has approved the following alternative method for computing the allowable deduction for redeemed food stamp coupons. Grocers may claim amounts in excess of two percent whenever use of the new method results in a greater percentage.

The computation uses your purchases totals, as follows: (total purchases of taxable items eligible to be purchased with food stamps) divided by: (total purchases of normally exempt food) plus (total purchases of taxable items eligible to be purchased

with food stamps). For example, assume the following total purchases for the period of your tax return:

Normally taxable items eligible to be purchased with food stamps \$ 5,000 (a)

Exempt food products 130,000 (b)

The allowable percentage to be applied to your total food stamp coupons redeemed is computed as follows:

$$\begin{array}{r} \text{(a)} \quad 5,000 \\ \text{(a+b)} \quad 135,000 = 3.7\% \end{array}$$

Film Processing

Tax generally applies to all charges involved in processing film, including charges for coloring and tinting new pictures.

However, *itemized* charges for developing negatives from *your customers'* exposed film are generally not taxable. This is to be distinguished from charges for developing film by the reverse process method, which is subject to tax (the reverse process method consists of developing the film to a negative and reversing it into a positive, usually in the form of a slide or a home movie film.)

Lottery

Lottery receipts are not part of a retailer's gross receipts for tax purposes and should not be included on your sales and use tax return. Appropriate recordkeeping procedures should be established to segregate lottery receipts from sales. If you do not maintain adequate documentation of exempt lottery receipts, such sales could be confused with taxable sales.

***Newspapers
and Periodicals***

Sales of newspapers and periodicals are taxable, except for periodicals sold by subscription. Retailers who sell newspapers and periodicals in their stores should include these items with their reported taxable sales. Also taxable are sales of such items as catalogs, maps, and books.

***Point-of-Sale Fees
(fees for use of
debit cards)***

Tax does not apply to separately stated charges representing fees for using a debit card. Such fees are related to bank fees and are not considered compensation for a sale. Accordingly, you should not charge your customers an amount for sales tax on the fee.

***Prepaid Telephone
Debit Cards***

In general, sales of prepaid telephone debit cards are not subject to tax (see exception below). You are considered to be selling a future telephone service rather than selling tangible personal property.

Exception. If you sell a prepaid telephone card for its value as a collectible item rather than for future telephone service, the sale is subject to tax. For example, if you sell an expired card with a picture of a famous person or "classic" automobile, you are selling a collectible item, and the sale is subject to tax.

Rentals

Video Tapes and Equipment

Rentals of video cassettes, videotapes, or videodiscs for private noncommercial use are subject to tax. Tax applies to such rentals even if you paid sales tax reimbursement to your vendor or reported use tax on the purchase price of the cassette, tape, or disc.

If you rent video equipment and video cassettes for a lump-sum rental charge, tax will apply to the entire charge or to a portion. If the video equipment was acquired tax-paid, there will be no tax on the portion of the charge attributable to the equipment. Taxable rental receipts will be measured by the ratio of the fair rental value of the cassettes and equipment as applied to the lump-sum rental charge. If the video equipment was acquired without tax, the entire rental charge for the video equipment and the cassettes is subject to tax.

Carpet Cleaners

Your rental receipts may not be taxable or you may be required to report and pay tax on all or a portion of the receipts. It will depend on whether you paid sales tax reimbursement or use tax on your purchase of the carpet cleaning equipment, as described below:

- *If you (1) paid sales tax reimbursement or use tax to your supplier when you purchased the equipment or (2) did not pay tax to your supplier but reported the purchase on your tax return under "Purchases Subject to Use Tax" and reported the purchase by the due date for the reporting period during which you first placed the equipment in rental service:*

If you charge your customer a lump-sum amount for the rental, including equipment, soaps, and cleansers, you are not required to report and pay tax. However, you are considered the consumer of the soaps and cleansers and are liable for tax on your purchase of those items.

If you charge a separate amount for the equipment and a separate amount for the soaps and cleansers, you are not liable for tax on the rental receipts for the equipment but are liable for tax on your receipts for the soaps and cleansers.

Under this example, you can purchase the soaps and cleansers with a resale certificate.

- *If you did not pay tax on the carpet cleaning equipment as described above:*

You must report and pay tax on all rental receipts, including charges for soaps and cleansers.

Sales of Capital Assets

Tax applies to your sales of capital assets used in your business—such as showcases, gondolas, and cash registers. This holds true whether the assets are sold intermittently or are included with the sale of your business.

Self-Consumed Merchandise

Taxable merchandise that you purchase without tax for resale and divert to some other use is subject to tax measured by its purchase price. Examples of such use include cigarettes, soap, and other taxable items taken home by an owner; given to friends, associates or employees; or donated to certain organizations (see note below). The cost of such merchandise should be reported on Line 2 of your tax return.

Paper bags and other wrapping and packaging supplies used to wrap merchandise you sell may be purchased “for resale” without payment of tax. But purchases of all other supplies, such as price tags, and purchases of store equipment are taxable. Normally, these items are purchased from local suppliers who charge sales tax reimbursement and report the tax. If equipment or supplies are purchased from out-of-state with no tax added, the purchase should be reported on Line 2 of your tax return, “Purchases Subject to Use Tax.”

Note—donations to organizations: You are not required to report use tax if you donate property from your resale inventory to a *qualified* organization, as defined in Regulation 1669, *Demonstration, Display, and Use of Property Held for Resale — General*. Donations to organizations that do not qualify under this regulation are subject to tax. (To obtain a copy of Regulation 1669, please see page 21.)

Trading Stamps

Trading stamps are considered as a cash discount allowed your customers measured by the cost of the stamps to you.

A deduction can be taken on your return; however, the deduction is allowable only on the cost of stamps given in connection with *taxable sales*. In computing the deductible amount you must prorate the cost of trading stamps between the taxable and exempt sales *on which stamps are given*.

Vending Machines

Commissions received from vending machine operators who have placed vending machines on your premises are not subject to tax.

Some grocers, however, sell their own merchandise through vending machines. Regulation 1574, *Vending Machines*, explains the application of tax to sales through vending machines (to obtain a copy, please see page 21).

2. REPORTING TAX: SPECIAL CONSIDERATIONS

The information in this chapter is designed to help you compute some of the figures needed for your sales and use tax return. If you need additional information about completing a return, please contact our Information Center at 1-800-400-7115 and request a copy of publication 73, Your California Seller's Permit, or you can speak to a representative.

Total Sales

The total sales entered on your tax return should include your gross receipts from all sales made during the period covered by the return. Gross receipts include sales of exempt merchandise as well as taxable merchandise. They also include charge sales and credit card sales.

Credit card sales should be reported as if no credit cards were involved. Your sales should not be reduced by the amount of any service charges made by a credit card organization. Since there was no reduction in the amount of the sale to your customers, no deduction is allowable.

Methods for Computing Exempt Food Sales and Taxable Sales

In preparing tax returns, you may use any method of determining the amount of your sales of exempt food items and taxable items so long as the method accurately discloses the correct amount of tax due. Regardless of the method used, you must be prepared to demonstrate, by records which can be verified by audit that the method used accurately discloses the correct amount of tax due.

This chapter includes descriptions of the following methods:

- Purchase-Ratio Method (Grocer's Formula)
- Modified Purchase-Ratio Method
- Cost Plus Markup Method — Taxable Merchandise
- Retail Inventory Method
- Extending Taxable Merchandise to Retail Method
- Electronic Scanning Systems
- Sales Tax Ring-up
- Taxable Sale Ring-up
- Estimates

The above methods are discussed on the following pages.

Purchase-Ratio Method (Grocer's Formula)

Under this method, you calculate your exempt food sales by using a formula that compares your *purchases* of food products and all grocery items. The formula, which adjusts for sales tax reimbursements, provides a percentage figure that is applied to total grocery sales in order to determine exempt food sales. The example shown on page 12 illustrates the use of the purchase-ratio method, and shows how nongrocery taxable purchases and sales are included in the calculations.

If you use this method, you must accurately segregate your purchases into the following categories: exempt food products, taxable grocery items, and nongrocery taxable items.

**Purchase-Ratio
Method
(continued)**

The information on this and the following pages is designed to help you calculate exempt food sales under the purchase-ratio method.

If you have any questions regarding this method, please call a nearby Board office.

You may also request a copy of Regulation 1602.5, Reporting Methods for Grocers.

Purchase-Ratio Method (Grocer's Formula)

Example

The following example shows how nongrocery taxable purchases and sales are included in the calculations.

1. Taxable grocery purchases	\$40,000
2. Add sales tax adjustment (7.25%* x Item 1)	2,900
3. Adjusted taxable grocery purchases (Item 1 + Item 2)	42,900
4. Exempt food products purchases	130,000
5. Total grocery purchases including sales tax (Item 3 + Item 4)	172,900
6. Exempt food products ratio (Item 4 ÷ by Item 5)	75.19%
7. Total sales including sales tax	254,088
8. Nongrocery taxable sales including sales tax (if such sales are not accurately segregated, mark up nongrocery taxable cost of goods sold to compute sales — add 7.25%* sales tax to total)**	31,500
9. Grocery sales including sales tax (Item 7 - Item 8)	222,588
10. Exempt food products sales (Item 6 x Item 9)	167,854
11. Sales of taxable items including sales tax (Item 7 - Item 10)	86,234
12. Less taxable items purchased with food stamps (2% of total food stamps redeemed for period, e.g., 2% x \$100,000)	2,000
13. Taxable Measure including sales tax (Item 11 - Item 12)	84,234
14. Sales tax included (7/107.25* x Item 13)	5,694
15. Measure of tax (Item 13 - Item 14)	78,540
16. Sales tax payable (7.25%* x Item 15)	5,694

* Use the applicable tax rate. We have used a tax rate of 7.25% for illustration purposes.

** Adjust for shrinkage if applicable—not to exceed 3 percent except as specified in Regulation 1602.5. Adjustment should also be made for significant inventory fluctuations.

Line 1 — Taxable Grocery Purchases

a. *The following is a partial list of purchases that should be included in "taxable grocery purchases."*

Beer purchases
Wine purchases
Cigarette purchases
Carbonated beverage purchases
California recycling value (CRV) fees
All other taxable grocery purchases (see appendix A, page 24, for an expanded list of taxable grocery items)

b. *Do not include the following as part of taxable grocery purchases:*

Nongrocery taxable purchases (see appendix B, page 25, for an expanded list)
Bottle deposits
Hot prepared food ingredients
Wrapping materials
Distilled spirits purchases
Paper bags
Snack bar purchases
String

(Line 1 continued)

Restaurant purchases
Gasoline purchases
Farm feed purchases
Farm fertilizer purchases
Vending machine dispensed purchases
Processing costs*
Transportation costs*
Warehousing costs*
Manufacturing costs*

- * If these operations are self-performed, the costs must be excluded from grocery purchases for purchase-ratio purposes; however, if you use a modified purchase-ratio method (see page 15), these costs may be included among grocery purchases, subject to Board approval.
- c. Do not include exempt food products in "taxable grocery purchases." See the discussion of Line 4 below for more information on exempt food products.
- d. If you have received a volume rebate, promotional allowance, or a discount for your purchases, you must ensure that the purchase price you use reflects the reduced cost. See below, "Lines 1 and 4 — Adjustments for Allowances and Discounts."

Line 4 — Exempt Food Product Purchases

- a. The following is a partial list of exempt food products.

Meat purchases
(do not adjust for meat scraps)
Produce purchases
Deli purchases
Bakery ingredient purchases
All other exempt food product purchases

- b. If you have received a volume rebate, promotional allowance, or a discount for your purchases, you must ensure that the purchase price you use reflects the reduced cost. See below, "Lines 1 and 4 — Adjustments for Allowances and Discounts."

Lines 1 and 4 — Adjustments for Allowances and Discounts

Cash discounts, volume rebates, quantity discounts, and promotional allowances represent reductions of cost and should be used to reduce the purchase price of "taxable grocery purchases" and "exempt food products," as applicable, for ratio purposes. These items are defined below:

Cash Discount. As used for this reporting method, cash discount means a reduction from invoice price allowed the grocer for prompt payment.

Volume Rebate, Quantity Discount. As used for this reporting method, volume rebate or quantity discount means an allowance or reduction of the price for volume purchases based on the number of units purchased or sold. Such rebates or discounts normally are obtained without any specific contractual obligation upon the part of the grocer to advertise or otherwise promote sales of the products purchased. The term does *not* include patronage dividends distributed to members by nonprofit cooperatives pursuant to Section 12805 of the Corporations Code, or

rebates that constitute a distribution of profits to members or stockholders.

Promotional Allowance. As used for this reporting method, the term “promotional allowance” means an allowance in the nature of a reduction of the price to the grocer, based on the number of units sold or purchased during a promotional period. The allowance is directly related to units sold or purchased although some additional promotional expense may be incurred by the grocer. Normally, the product would be featured in the grocer’s advertising, although the grocer may or may not be contractually obligated to do so. The retail price of the product may or may not be lowered during a promotional period.

Promotional allowances do not include display or other merchandising plan allowances or payments that are based on agreements to provide shelf space for a price not related to volume of purchases, or cooperative advertising allowances that are based on a national line rate for advertising and are not directly related to volume of purchases and sales. Cooperative advertising allowances are intended to reimburse grocers for a portion of their advertising costs for a particular product or products.

Line 8 — Nongrocery Taxable Sales

Sales and purchases of nongrocery taxable items such as distilled spirits, drug sundries, and hardware, must be accounted for in the ratio computation. If such sales are not accurately segregated in your records, then nongrocery taxable cost of goods sold should be marked up by applicable markup rates, plus sales tax, to determine such sales.

An adjustment for shrinkage may be taken into consideration in the sales computation, if applicable. This adjustment may not exceed 3 percent of the cost of nongrocery taxable items when the purchase-ratio method is used, except as specified in Section (d) of Regulation 1602.5.

Line 9 — Grocery Sales Including Sales Tax

Include	Exclude *
Meat sales	Nongrocery taxable sales
Produce sales	Distilled spirit sales
Deli sales	Snack bar sales
Beverage sales	Restaurant sales
Beer sales	Hot prepared food sales
Wine sales	Gasoline sales
Bakery sales	Farm feed sales
Cigarette sales	Farm fertilizer sales
Sales tax collected	Sales through vending machines
Coupon receipts	Bottle deposits
California recycling fees collected	Meat scraps sold to rendering plants
Sales paid with Food stamps	* Exclusions are plus sales tax if items are taxable
All other grocery items sales	

Modified Purchase-Ratio Method

If you do not follow the procedure outlined on pages 11–14, but report on a different purchase-ratio basis, you are using a modified version of the purchase-ratio method. For example, if you include self-performed processing, manufacturing, warehousing or transportation costs in the purchase-ratio formula, you are using a modified version.

If you use a modified version, you must establish that the modified version does not result in an overstatement of the food products exemption. The adequacy of the modified method may be demonstrated by extending taxable purchases, adjusted for inventories, to retail for a representative period or computing taxable sales by marking up taxable purchases, adjusted for inventories, for a representative period. Grocers must retain adequate records, that may be verified by audit, documenting the modified purchase-ratio method used.

If you anticipate using a modified purchase-ratio reporting method, you are urged to notify the Board of your intentions and to submit your proposed method to the nearest Board office for review prior to use. If you submit a proposed modified purchase-ratio reporting method that meets Board approval, you will be furnished a written notice indicating the time period within which such modified methods are authorized for use.

Cost Plus Markup Method—Taxable Merchandise

This is basically a method whereby applicable markups are added to your cost of taxable merchandise, adjusted for inventories, to determine taxable sales for the reporting period. Adjustments are made for markons, markdowns, quantity sales and case sales, as applicable. A shrinkage adjustment of up to 1 percent of the cost of taxable merchandise is also allowable if losses are incurred.

Markup factor percentages (cost plus the markup) must be determined by a shelf test sample of representative purchases covering a minimum purchasing cycle of one month within a three year period, segregated by commodity groupings (i.e., beer, wine, paper products, pet foods, and so forth). Commodity markup factor percentages are applied to cost of sales of the respective commodities for the reporting period to determine taxable sales for each commodity.

As an alternative procedure, the overall average markup factor for all taxable commodity groupings may be used to determine total taxable sales for the reporting period. This factor is applied to the overall cost of taxable sales for the reporting period. It should be noted that shelf tests (to determine commodity markup factors) use purchases covering a complete purchasing cycle, typically one month. The markup factors determined from the shelf tests are then applied to respective commodity costs in a one-year base period to compute the overall average markup factor.

The example on the following page shows the computation of taxable sales using an overall average markup factor for taxable merchandise.

The procedure illustrated on this page is for calculating the amount of sales tax to be reported using the Cost Plus Markup Method. If you have any questions regarding this method, please call a nearby Board of Equalization office.

You may also request a copy of Regulation 1602.5, Reporting Methods for Grocers.

Cost Plus Markup Method *Example*

Computation of Taxable Sales to be Reported

Period: 3rd Quarter 19XX

Recorded Cost of Taxable Sales	\$403,815
Less: 1% Allowance for Shrinkage	<u>-4,038</u>
Adjusted Cost of Taxable Sales	<u>\$399,777</u>
Overall Taxable Markup Factor $(31.68\% + 100\%)^1$	131.68%
Computed Taxable Sales $(131.68\% \times \$399,777)$	\$526,426
Sales Tax Payable $(7.25\% \times \$526,426)^2$	<u>\$38,166</u>

1. See below for illustration of how the markup calculation was done.
2. Use the applicable tax rate—tax rate of 7.25% was used for illustration purposes.

Computation of Overall Taxable Markup Test Year: 19XX

Commodity	A Recorded Cost of Sales	B Markup Factor ¹ (MU+100%)	C Computed Taxable Sales (AxB=C)
<i>Grocery Taxables</i>			
Beer	\$105,078	132.08% ²	\$138,787
Wine	32,438	147.19%	47,745
Carbonated Beverages	223,815	135.50%	303,269
Tobacco and Related Products	100,781	112.63%	113,510
Paper Products	131,931	128.78% ²	169,901
Pet Food	142,316	123.87%	176,287
Soap and Detergents	125,712	110.95%	139,477
Laundry Supplies	26,101	123.72% ²	32,292
Household Cleaners, Waxes, and Insecticides	23,087	127.05%	29,332
Brooms, Mops, Brushes, and Sponges	7,522	139.26%	10,475
Outdoor Living Needs (Charcoal briquets, starter fluid, etc.)	<u>6,519</u>	<u>124.40%</u>	<u>8,110</u>
Total Grocery Taxables	\$925,300		\$1,169,185
Total Nongrocery Taxables	<u>\$358,626</u>	<u>145.40%</u>	<u>\$ 521,442</u>
Total Taxables	<u>\$1,283,926</u>		\$1,690,627
Cost of Computed Taxable Sales			<u>\$1,283,926</u>
Gross Profit			<u>\$ 406,701</u>
Overall Markup $(\$406,701 \div \$1,283,926)$			<u>31.68%</u>

1. All markups have been adjusted for any markons or markdowns and quantity price adjustments (e.g., cigarettes sold by the carton).
2. The shelf test used to compute the markup on this commodity is illustrated on the following page.

Shelf Test on Beer
Test Period: April 19XX

Date	Invoice Number	Vendor	Cost	Retail Ex-tax
4-2-XX	629452	Lane Distributing Co.	\$559.64	\$737.20
4-2-XX	39819	National Brewers	222.72	297.20
4-4-XX	45293B	City Distributors	553.78	737.52
4-7-XX	098757	Smythe Brewing Co.	475.66	620.11
4-7-XX	75923	Bunkers Brewers Inc.	173.10	237.79
<i>Totals</i>			<u>\$1,984.90</u>	\$2,629.82
<i>Cost</i>				<u>\$1,984.90</u>
<i>Gross Profit</i>				<u>\$ 644.92</u>
<i>Markup</i> (\$644.92 ÷ \$1984.90)				<u>32.49%</u>

Shelf Test on Paper Products
Test Period: April 19XX

Date	Invoice Number	Vendor	General Description	Cost	Retail Ex-tax
4-3-XX	123276	Monsanto-Pacific, Inc.	Paper Towels	\$962.59	\$1,152.80
4-3-XX	B30031	Value-Line	Paper Plates, Napkins		
		Products		514.29	696.50
4-5-XX	191156	Lunch-A-Bunch	Bags	396.31	504.35
4-8-XX	42445A	Fawcett and Son	Tissues	1,204.14	1,584.45
4-8-XX	19416	M. I. Green	Aluminum Foil		
		Paper Co.		481.52	601.14
<i>Totals</i>				<u>\$3,558.85</u>	\$4,539.24
<i>Cost</i>					\$3,558.85
<i>Gross Profit</i>					<u>\$980.39</u>
<i>Markup</i> (\$980.39 ÷ \$3,558.85)					<u>27.55%</u>

Shelf Test on Laundry Supplies
Test Period: April 19XX

Date	Invoice Number	Vendor	General Description	Cost	Retail Ex-tax
4-3-XX	314652	Silver Seal Products	Bleach	\$192.23	\$224.96
4-4-XX	B92845	Lewis and Final	Ammonia	262.01	330.29
4-7-XX	1-22958	Columbia Laundry Prod.	Starch	268.92	324.42
4-8-XX	496372	Arnile and Co.	Water Softener	180.47	234.87
4-8-XX	A19485	Goldfard and Hubbard	Cleaners	190.52	240.75
<i>Totals</i>				<u>\$1,094.15</u>	\$1,355.29
<i>Cost</i>					\$1,094.15
<i>Gross Profit</i>					<u>\$ 261.14</u>
<i>Markup</i> (\$261.14 ÷ \$1,094.15)					<u>23.87%</u>

Retail Inventory Method

This method is generally appropriate for use only by the larger grocers. It is most feasible for use by grocers who have suitable automatic data processing equipment capabilities.

It is basically a method whereby control records for inventories and purchases are maintained at retail values. As purchase invoices are received, the merchandise is segregated according to exempt food products and taxable items and priced and recorded at the retail value. The total retail amounts for the reporting period, adjusted for inventories at retail and segregated according to exempt food products and taxable items, represent anticipated exempt and taxable sales for the reporting period. Adjustments are made for markons, markdowns, quantity sales and case sales, as applicable. A shrinkage adjustment of up to 1 percent of taxable items is also allowable if losses are incurred.

Additional information on the retail inventory method is included in Regulation 1602.5. See page 21 for information on how to obtain a copy.

Cost Plus Markup Method

Under this method, the amounts of your taxable purchases are converted to retail amounts. This is done by multiplying the number of units purchased times applicable selling prices of the respective units. This method is similar in principle to the retail inventory method. Taxable sales are reported on the basis of the computed retail value of taxable merchandise, adjusted for inventories at retail sold during the reporting period. As in the retail inventory method, adjustments are made for markons, markdowns, quantity sales and case sales, as applicable. A shrinkage adjustment of up to 1 percent of taxable items is also allowable if losses are incurred.

Additional information on the retail inventory method is included in Regulation 1602.5. See page 21 for information on how to obtain a copy.

Use of Electronic Scanning Systems

You can also use electronic scanning systems to separate taxable sales from nontaxable sales. These systems record and compile taxable and nontaxable sales, sales tax, and related data from information imprinted on a Universal Product Code.

If you plan to use electronic scanning systems for sales tax reporting purposes, you must first notify your local Board of Equalization office of your intention. They will ask you to submit a general outline of the proposed reporting method for review and approval (you must obtain approval from the Board office before you can use this method). You must also:

- Ensure that the proper controls are maintained for monitoring and verifying the accuracy of the scanning results and tax returns. Your Board office will be able to provide you with information on the type of documentation that should be developed and maintained. You are required to keep all records relating to sales and purchases for four years from the date of the sale or purchase.
- Agree to segregate a representative sample of taxable and nontaxable merchandise purchases should it become necessary for future audit purposes.

Other Methods

Sales Tax Ring-Up

Sales tax ring-ups at the cash register are converted to the equivalent taxable measure to determine taxable sales for the reporting period. Use of this method is generally not satisfactory because of several factors. For example:

- Checkout clerks may not be well informed on the taxability of all items sold.
- Checkout clerks often work under pressure, which can lead to errors in classifying items or errors in the amount of tax reimbursement added.
- It is sometimes trade practice to sell certain types of merchandise, such as cigarettes and tobacco, at a tax-included price.

Since this method is susceptible to many errors, it is not recommended for use as a reporting method.

Taxable Sale Ring-Up

This is similar to the sales ring-up method, except that under this method the taxable sales amounts are recorded on a separate key of the cash register and compiled to determine taxable sales for the reporting period. As with the sales tax ring-up, this method is susceptible to many errors and is not recommended for use as a reporting method.

Estimates

The following methods for reporting tax liability based on estimates are not recommended:

- Estimates based on tax reported in a prior period
- Estimates based on a ratio of taxable sales to total sales in a prior period
- Estimates based on the application of unsubstantiated markups or based on other methods that have not been approved by the Board

Deductions

Deductions should be taken for the gross receipts from your sales of exempt merchandise. The usual exempt merchandise sold in grocery stores are *nontaxable sales of food products*. To support your deduction for exempt sales of food products, all purchases of food products should be segregated in your records from taxable items.

In claiming a deduction, be sure that it really is exempt and that you have included the amount in reported total sales. Be sure to retain documentation supporting the deduction.

Losses

Shrinkage (Unaccounted-for Losses)

When losses such as spoilage, breakage, pilferage, and so forth, are incurred, grocers may, for reporting purposes, adjust up to 1 percent of the cost of taxable merchandise when using the retail inventory or markup method. An adjustment of up to 3 percent of the cost of your nongrocery taxable items may be taken when using the purchase ratio

method of reporting. See pages 11-19 for explanations of these reporting methods.

An adjustment for shrinkage is not allowed in all cases; its use is limited to reporting methods involving a markup or an extension of purchases to retail. For example, under the purchase ratio method of reporting, an adjustment for shrinkage would not be in order if your sales of nongrocery taxable items are based on actual sales, rather than based on a markup or extension of nongrocery taxable purchases to retail, since shrinkage would already be reflected in recorded gross receipts.

Robbery, Theft, Shoplifting

Losses in excess of that allowed for shrinkage must be supported by some form of specific proof of loss. Proof may be in the form of a report from a private agency employed to track down losses, a police report, insurance claim, or other documentary evidence. As with shrinkage, deductions for robbery, theft, and shoplifting would not be appropriate if you report taxable sales based on actual sales.

Note: Robberies of cash are not deductible for sales tax purposes because tax is measured by sales. You still have the responsibility to pay tax on taxable sales in the usual manner despite a loss of the proceeds of sales.

Bad Debts

If a check that you accepted as payment for merchandise is returned unpaid by the bank, is found to be uncollectible, and is charged off for income tax purposes, you can claim a bad debt deduction for the amount of the taxable items included in the original sale. If the original sale included both taxable and exempt items, you may determine the amount of the taxable items by applying the ratio of your total taxable sales for the reporting period to your total sales for the reporting period.

When a check is cashed for an amount in excess of the total sale, that excess portion over the sale amount is not deductible as a bad debt. In such situations, the amount of the sale should be noted on the check.

Frequently the money for a bad debt or a bad check is later collected from a customer. If collection is made after a deduction has been claimed, the portion previously claimed as a deduction must be reported as additional taxable sales.

No deduction is allowable for expenses you may incur in attempting to collect the bad account, and no deduction is allowable for that portion of a debt recovered that is retained by or paid to a third party as compensation for collecting the account.

In the event the tax rate has changed since the time of the sale, the amount of the bad debt deduction must be adjusted to conform to the tax rate in effect at the time the deduction is taken.

3. For More Information

General Tax Questions

If you have a general tax question, please call our toll-free number and talk to one of our Customer Service Representatives. They are available from 8:00 A.M. to 5:00 P.M., Monday-Friday, excluding State holidays. Please call:

1-800-400-7115

For TDD assistance (telephone device for the deaf), please call:

From TDD phones:
1-800-735-2929

From voice phones:
1-800-735-2922

Questions Regarding Your Account

Please call the office that maintains your records. The name and telephone number of the appropriate office is printed on your tax returns. Field office telephone numbers are provided on page 23.

To Verify a Seller's Permit Number — *resale certificates*

If you wish to verify the seller's permit number for a business that gives you a resale certificate for their purchase, you may use our interactive service on the Internet (see next page) or call us at 1-888-225-5263 (toll-free), seven days a week. Please have on hand the seller's permit number you wish to verify, the business name, business address, and business owner's name.

Fax-Back Service

Our fax-back service, which allows you to order selected forms and publications, is available 24 hours a day. Call 1-800-400-7115 and choose the fax option. We'll fax back to you within 24 hours.

How To Obtain Copies of Publications and Regulations

To obtain copies of publications and regulations, you may:

Call our Information Center. A customer service representative will help you during working hours. If you know the name of the publication, form, or regulation you need, you can call outside of working hours and leave a recorded message. Certain documents are also available on our fax-back service, described above.

Use the Internet. Certain regulations and publications are available on our Internet home page at <http://www.boe.ca.gov>. You can also download an order form to send to our Supply Unit to request printed copies of publications and regulations.

Regulations. The following regulations may be helpful:

- 1602 *Food Products*
- 1602.5 *Reporting Methods for Grocers*
- 1603 *Taxable Sales of Food Products*
- 1669 *Demonstration, Display, and Use of Property Held for Resale—General*
- 1698 *Records*
- 1700 *Reimbursement for Sales Tax*

For a complete listing of regulations for sales and use taxes, please see publication 73, *Your California Seller's Permit*.

Publications. You may find the following publications to be helpful. The letter V, K, C, or S following a publication indicates the pamphlet is available in Vietnamese, Korean, Chinese, or Spanish:

- 22 *Tax Tips for the Dining and Beverage Industry* (S)
- 24 *Tax Tips for Liquor Stores* (S)
- 27 *Tax Tips for Drug Stores*
- 44 *Tax Tips for District Taxes*
- 51 *Guide to Board of Equalization Services* (C,K,S,V)
- 58A *How to Inspect and Correct Your Records*
- 61 *Sales and Use Taxes: Exemptions and Exclusions*
- 66 *Tax Tips for Retail Feed and Farm Supply Stores*
- 68 *Tax Tips for Photographers, Photo Finishers, and Film Processing Laboratories*
- 70 *The California Taxpayer's Bill of Rights* (C,K,S,V)
- 73 *Your California Seller's Permit* (C,K,S,V)
- 74 *Closing Out Your Seller's Permit* (S)
- 75 *Interest and Penalty Payments*
- 76 *Audits and Appeals*

Tax Information Bulletin

As a registered seller, you also receive the quarterly *Tax Information Bulletin*, which includes articles on the application of law to specific types of transactions, announcements regarding new and revised publications, and other articles of interest to sellers. The bulletin is mailed with your sales and use tax return(s). If you file only once a year and would like to receive all four bulletins, please write to the following address and ask to be added to Mailing List #15: Mail Services Unit, MIC:12; Attn: Addressing Systems; State Board of Equalization; P.O. Box 942879; Sacramento, CA 94279-0012.

Computer Access — Internet www.boe.ca.gov

We maintain the following information on our Internet site: sales and use tax rates by county, Board field office addresses and telephone numbers, Taxpayers' Bill of Rights Hearings, publication order forms, an agency profile, and Board Member biographies. You can also verify seller's permit numbers on-line and download copies of selected publications.

Written Tax Advice

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if the Board determines that it gave you erroneous written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

Please send your request to the Board office that handles your account.

Classes

You may enroll in a basic sales and use tax class offered by some local Board offices. You should call ahead to find out whether your local office conducts a class for beginning sellers.

Other Fees and Taxes

The Board administers many tax and fee programs in addition to the state's sales and use taxes. For a complete listing, please request a copy of our publication 51, *Guide to Board of Equalization Services*.

Taxpayers' Rights Advocate

If you have been unable to resolve a disagreement with the Board, or if you would like to know more about your rights under the Sales and Use Tax Law, please contact the Taxpayers' Rights Advocate office for help.

Taxpayers' Rights Advocate

State Board of Equalization
450 N Street, MIC:70
P.O. Box 942879
Sacramento, CA 94279-0070

Telephone: (916) 324-2798
Toll Free: (888) 324-2798
Fax: (916) 323-3319

Field Offices

Staff located in the Board of Equalization field offices listed below will be glad to answer your questions regarding the taxes administered by the Board. If you already have a seller's permit and are calling regarding your account, you will receive quicker assistance if you have the number of your permit available when you call.

City	Area Code	Number	City	Area Code	Number
Bakersfield	805	395-2880	San Jose	408	277-1231
City of Industry	562	908-5280	San Marcos	760	744-1330
Culver City	310	342-1000	Santa Ana	714	558-4059
El Centro	760	352-3431	Santa Rosa	707	576-2100
Eureka	707	445-6500	Stockton	209	948-7720
Fresno	209	248-4219	Suisun City	707	428-2041
Laguna Hills	949	461-5711	Torrance	310	516-4300
Norwalk	562	466-1694	Van Nuys	818	904-2300
Oakland	510	622-4100	Ventura	805	677-2700
Rancho Mirage	760	346-8096			
Redding	530	224-4729			
Riverside	909	680-6400	Offices for Out-of-State Accounts		
Sacramento	916	227-6700	Chicago, IL	312	201-5300
Salinas	831	443-3003	Houston, TX	281	531-3450
San Diego	619	525-4526	New York, NY	212	697-4680
San Francisco	415	703-5400	Sacramento, CA	916	227-6600

4. APPENDIX: CLASSIFICATION OF PRODUCTS SOLD BY GROCERS

The products listed in this chapter are divided into the following classifications:

A. Taxable Grocery Items

B. Nongrocery Taxable Items

If you have any questions regarding the taxability of a sale, please contact a local Board office (see page 23).

A. Taxable Grocery Items

Examples of “taxable grocery items” regularly sold in grocery stores include the following:

Aluminum Foil	Ice
Ammonia	Insect Spray, Poison, Bombs
Ant Poison	Kleenex
Antacid Mints	Kotex, Tampax, Coets, Fems
Asphalt Tile Cleaner	Light Bulbs and Fuses
Bags—Lunch	Lighter Fluid
Bird Seed	Lozenges (medicated)
Bird Treats (food)	Lye
Bleach—Laundry	Matches
Blueing	Mops, Mop Handles
Bottle Brushes	Moth Protection—All Kinds
Brooms	Muffin Papers
Candles	Paper Cups, Plates, Napkins, Table Covers
Canning Jars and Lids	Paper Towels, Drinking Straws
Carbonated Beverages	Parawax
Cat Food	Plastic film (such as Saran Wrap, etc.)
Charcoal Briquets, Light Fluid	Pot Scrubbers
Cigarette Fluid, Wicks, Flints	Powder (cleaning)
Cigarettes	Rolaids
Cigars	Rust Stain Remover
Cleaners and Polishes (household)	Salt—Ice Cream
Clothes Cleaning Fluid	Sandwich Bags
Clothes Pins	Scouring Pads
Coloring Extracts	Silver Polish
Cough Drops	Soap and Detergent
Deodorizers (air fresheners)	Soft Drinks (carbonated)
Dietary Supplements or Adjuncts	Sponges
Dishcloths	Starch—Laundry
Dog Food	Table Covers—Paper
Drain Cleaners (Drano, etc.)	Tile Cleaner
“Drizit”	Toilet Tissue
Dye—Clothes	Toothpicks
Facial Tissues	Upholstery Cleaner
“Flex” Drinking Tube (straws)	“Vanish”
Floor Wax and Applicators	Water Softener (laundry)
Fly Swatters	Water Softener Salt
Forks—Wooden	Wax Paper
Freezer Tape	Wax Remover
Fuel—Cooking, Heating	Whisk Brooms
Furniture Polish	“Windex” Sprayers
Garbage Bags	Wood and Plastic Spoons, Forks
Glass Cleaner, Glass Wax	

B. Nongrocery Taxable Items

Examples of taxable items not regularly sold in grocery stores referred to as “nongrocery taxable items” include the following:

Accessories—Auto	Gloves
Adhesive Tape	Hair Dye
Ammunition	Hair Oil
Antacid Liquids	Hardware
Appliances—Household, Auto	Medicated Cleansers
Auto Cleaner, Polish, Waxes	Medicine for Pets
Baby Oil	Notebooks
Batteries—Auto, Flash Light	Nursery Stock
Books	Pencils, Pens & Ink
Bubble Bath	Pet Supplies & Equipment (not food)
Cameras	Pots & Pans
Chinaware	Powder (face or body)
Cigarette Lighters	Rawhide Chew Bones
Clothing	Razors
Cosmetics	Razor Blades
Deodorizers (body)	Rubber Bands
Diapers (cloth or disposable)	Sand & Grit for Pets
Dishes	School Supplies
Distilled Spirits	Scotch Tape
Drug Sundries	Seed (except vegetable)
Electrical Supplies	Shaving Cream & Lotion
Farm & Garden Implements	Shampoo & Rinse
Fertilizers	Shoe Laces & Polish
Film	Silverware
Firearms	Sporting Goods
Flambe, Flambeau, Flambeaux	Stationery
Flashlights	Sun Glasses
Flower & Garden Seeds	Sun Tan Lotion
Flowers	Thread
Fuel & Lubricants (Includes diesel fuel, grease, etc.)	Three-in-one Oil
Furniture	Tools
Garden Tools & Supplies	Toothpaste
Glassware	Toys

What do you think of this pamphlet?

We hope that this newly revised tax tip pamphlet will help you to better understand the Sales and Use Tax Law as it applies to your business.

We would appreciate it if you could take a few minutes to give us your comments and suggestions for this pamphlet, so that we can improve future revisions. We'd also like to have some information that will help us make our publications program more useful to you. Please answer the questions below and on the reverse, remove the page, and return it to us. It is designed as a postage-paid self-mailer: you may fold the page as indicated and seal it with two pieces of tape.

Thank you for taking the time to respond to this survey.

\\ Pamphlet Comments and Suggestions

1. Does this pamphlet help you apply the sales and use tax in your business operations?
2. Are there any sections of the pamphlet that you find particularly helpful? (please note)
3. Are there any sections of the pamphlet that you find confusing? (please explain, if possible)
4. Are there any topics not addressed in this pamphlet that you would like us to include?
5. Are there any sections of the pamphlet that you feel are incomplete? What would you add to them?
6. Do you have any other comments or suggestions for improving this pamphlet?

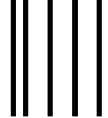
Please answer questions on reverse.

date_____

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State Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0058



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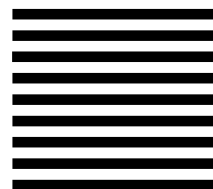
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IN THE
UNITED STATES

BUSINESS REPLY MAIL

FIRST-CLASS MAIL PERMIT NO. 199 SACRAMENTO CA

POSTAGE WILL BE PAID BY ADDRESSEE

**PUBLICATIONS UNIT
STATE BOARD OF EQUALIZATION
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SACRAMENTO CA 94299-9879**



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Reader Survey Information (please check all boxes that apply)

What is the nature of your business?

- ☐ Board field office
- ☐ Board auditor
- ☐ Board Supply Unit
- ☐ Information Center
- ☐ Other (please list) _____

How long have you been in business?

- ☐ less than one year
- ☐ 1-5 years
- ☐ 6-10 years
- ☐ more than 10 years

Did you receive a copy of this pamphlet (or an earlier version) when you applied for or received your seller's permit?

- ☐ yes
- ☐ no
- ☐ not sure

How did you find out about this pamphlet?

- ☐ Board field office
- ☐ Board auditor
- ☐ Tax Information Bulletin
- ☐ Publications listing in a Board pamphlet
- ☐ Other (please list) _____

Where did you obtain this pamphlet?

Do you use any other Board publications to help you apply or understand the California Sales and Use Tax Law? (please list) _____
