



# City and County of San Francisco

## Office of the Controller

DEPARTMENTAL GUIDELINES No. 005-11

DATE OF ISSUANCE

Sales & Use Tax Guidelines

March 15, 2011

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APPROVED FOR DISTRIBUTION:

Ben Rosenfield, Controller

### Purpose of Guidelines

The purpose of this document is to provide guidance to City departments (“Departments”) on when and how to accrue sales/use tax in the City’s FAMIS system. It is important that departments observe these guidelines to ensure that they are charged the proper rate of tax for the area where they use, store, or consume the merchandise, and that the City does not incur penalties in the periodic State Sales and Use Tax audits as a result of non-payment of use tax.

### Authority

These guidelines are issued according to the Sales and Use Tax Programs administered by the State of California Board of Equalization (BOE).

### DEFINITION OF SALES TAX AND USE TAX

- The California sales tax is imposed on all California retailers. Sales tax is tax collected by the retailer in California and the retailer is responsible for reporting and paying the tax to the State. California law requires tax on in-state purchases, and also requires tax on items purchased out-of-state for use in California.
- When an out-of-state or online retailer doesn’t collect the tax for an item delivered to California, the purchaser may owe “use tax”, which is simply a tax on the use, storage, or consumption of personal property in California. Use tax liabilities are often created by internet or mail order purchases with out-of-state retailers not required to collect the tax. The use tax, which was created in July 1935, is a companion to California’s sales tax that is designed to level the playing field between in-state retailers who are required to collect tax, and some out-of-state retailers who are not. Generally, use tax also applies to foreign purchases of tangible personal property brought into California for storage, use, or other consumption.
- The State’s sales tax and use tax are ‘mutually exclusive’, which means either applies to a single transaction, but not both. The sales and use tax rates are the same within the same area or jurisdiction. Refer to the rates table link: <http://www.boe.ca.gov/cgi-bin/rates.cgi>
- Certain products and/or services are tax exempt. Items that are exempt from sales tax are exempt from use tax as well. Inquire with the State Board of Equalization or department’s purchaser to ensure appropriate accrual and/or payment of sales and use tax.
- Link to the Board of Equalization website, <http://www.boe.ca.gov/sutax/sutprograms.htm>

# Guidelines for Accruing Sales Tax or Use Tax

All City departments should establish the policies and procedures necessary to ensure their in-state, out of state, online or mail-order purchases accurately account for sales tax or use tax.

**When purchasing from California retailers – Review invoices to make sure sales tax is charged and the rate is correct**

- California sales tax is imposed on all California retailers. Retailers making sales in the State of California are required to report and remit the sales tax to the Board of Equalization. When the retailer collects the sales tax, the retailer is liable to remit the tax due.
- **When the retailer fails to collect tax on taxable merchandise, departments must accrue the sales tax liability (in the Agency Fund 7ASTATAX) and not pay it to the retailer.**
- For Use Tax FAQ, sales and use tax rates, refer to <http://www.boe.ca.gov/cqi-bin/rates.cgi>

**Review invoices for sales tax permit number of out-of-state vendor**

- California consumers are advised by the BOE to review invoices from out-of-state companies to determine if they were charged California use tax.
- When out-of-state vendors are engaged in business in California, they register with the BOE to obtain a seller's permit that allows them to collect use tax from their California customers.
- When an out-of-state vendor does not include California sales/use tax on the invoice when item is taxable, **departments must accrue use tax liability (in the Agency Fund) and not pay it to out-of-state vendors without sellers' permit numbers printed on their invoices.**

**Verify if sales tax or use tax is appropriate for the area**

- Departments must verify that they are charged the proper rate of tax for the area where they use, store, or consume the merchandise. The rate of use tax is determined where the property will be used, stored, or consumed, regardless of where the sale takes place.
- Example: If a city department purchased merchandise from a vendor in Stockton, California with a 8.75% sales tax but the goods will be used, stored, or consumed in San Francisco, which has a sales tax rate of 9.50%, then the department needs to accrue the additional 0.75% sales tax in the Agency Fund and not pay it to the vendor.
- For Use Tax FAQ, sales and use tax rates, refer to <http://www.boe.ca.gov/cqi-bin/rates.cgi>. Tax rates may vary from cities and counties where the materials are put into use, most notably, Moccasin, see below.

Postal Address City	Rate	Counties
Moccasin	8.250%	Tuolumne
San Francisco	9.500%	San Francisco

**Accrue sales tax or use tax liabilities**

- Document type JE (non-RIMS) or RE (RIMS) for journal entry
- Department-specific index code under Agency Fund 7ASTATAX in the format XXX7ASTATAX, the first 3 characters representing the department code. This is the unique index code to identify the department accruing the sales tax or use tax in the Agency Fund, refer to the table on page 5.

- Department's regular appropriation index code. This is the index code to record the sales tax or use tax as expenditure.
- Subsidiary Code to use is 219-COZ017. Use of a common code simplifies the recording of the sales tax/use tax liability, as well as the disbursement of accrued amounts to the State BOE. The balance in the 7ASTATAX is remitted monthly by wire transfer and summarized in a quarterly report to the BOE.
- Transaction Codes – Two transactions are required to accrue sales tax or use tax in FAMIS. One transaction is needed to charge the tax to the department's appropriation (TC 405). A second transaction is to record sales tax or use tax liability in the Agency Fund for disbursement to the State (TC 404).
- Document Reference Field – Put the number of the document subject to the accrual, such as direct payment, encumbrance or voucher payment, etc.
- Notepad – additional information related to the accrual entry.

## Summary

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If a vendor fails to include applicable sales tax rate appropriate to the California jurisdictions on an invoice when sales tax is due, departments must accrue the sales or use tax in the Agency Fund and not pay it to the vendor. An out-of-state vendor that is engaged in business in the State of California needs to register with the Board of Equalization to collect use tax on their retail sales to California customers.

It is the department's responsibility to ensure that taxable purchases are accurately taxed and that out of state vendors have the necessary sellers' permit numbers. Tax rates may vary from cities and counties where the materials are put into use, most notably, Moccasin. Omitted or additional sales tax or use tax must be accrued instead of being paid directly to the vendors.

City departments may obtain information or publications on sales tax and use tax from the State of California's Board of Equalization website, <http://www.boe.ca.gov/sutax/sutprograms.htm> . Useful publications include Publication 61, Sales and Use Taxes Exemptions and Exclusions; Publication 71, California City and County Sales and Use Tax Rates.

Samples of journal entries to accrue sales/use tax and a list of department-assigned index codes under the Agency Fund are presented in the following pages for reference.

**Note: In examples below, fiscal years have been changed to "YY" and names are hidden.**

**1) Increasing Expense at Cost Center.**

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FAML6300 V5.1          CITY AND COUNTY OF SAN FRANCISCO--NFAMIS          06/21/20YY
LINK TO:                TRANSACTION DETAIL INQUIRY                        2:51 PM

DOCUMENT      -- POST PERIOD -- POST DATE ----- POSTED BY ----- UNIT
READY000009 01 09 20YY MAR  20YY 03/13/20YY XXX, XXXX XXXX
-----
TRANS CODE    : 405  ADJUSTMENT TO INCREASE EXPENDITURE ACCOUNT
DOCUMENT REF  : VCAD08001151 01                                     NOTEPAD : Y
TRANS DESC.   : TO RECORD SALES TAX EXPENSE
AMOUNT       :                1.20 DUE DATE   :                SINGLE CHECK :
VENDOR NUMBER :
INDEX CODE    : 700102                CITY ADMINISTRATOR--CENSUS
SUB-OBJECT   : 03571                SUBSCRIPTIONS
USER CD      :
GRANT / GR DTL :
PROJ / PJDTL : PCA200                IMMIGRANT RIGHTS COMMISSION
START DATE   :                END DATE   :
G/L / SUBSID :
BANK NO/ SUBSID :
TREAS NUM    :
CURRENCY CODE :                CONV DATE :                FRGN CURR AMT:
F1-HELP     :                F4-PRIOR   F5-NEXT
  
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**2) Increasing sales tax liability in Agency Fund.**

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FAML6300 V5.1          CITY AND COUNTY OF SAN FRANCISCO--NFAMIS          06/21/20YY
LINK TO:                TRANSACTION DETAIL INQUIRY                        2:54 PM

DOCUMENT      -- POST PERIOD -- POST DATE ----- POSTED BY ----- UNIT
READY000009 02 09 20YY MAR  20YY 03/13/20YY XXX, XXXX XXXX
-----
TRANS CODE    : 404  ADJ. TO CREDIT G/L ACCOUNT WITH SUBSIDIARY (FOR GL211,2
DOCUMENT REF  : VCAD08001151 01                                     NOTEPAD : Y
TRANS DESC.   : TO RECORD SALES TAX IN THE AGENCY FUND
AMOUNT       :                1.20 DUE DATE   :                SINGLE CHECK :
VENDOR NUMBER :
INDEX CODE    : ADM7ASTATAX                STATE SALES TAX
SUB-OBJECT   :
USER CD      :
GRANT / GR DTL :
PROJ / PJDTL :
START DATE   :                END DATE   :
G/L / SUBSID : 219    COZ017                STATE/LOC/DISTS USE TAX-SF-850
BANK NO/ SUBSID :
TREAS NUM    :
CURRENCY CODE :                CONV DATE :                FRGN CURR AMT:
F1-HELP     :                F4-PRIOR   F5-NEXT
  
```

**3) Notepad explaining transaction.**

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FAML1010 V5.1          CITY AND COUNTY OF SAN FRANCISCO--NFAMIS          06/21/20YY
                                NOTEPAD                                2:56 PM

ATTACHED TO : DOCUMENT NUMBER : READY000009 01
PAGE        : 01 OF 01
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TO RECORD SHORTAGE ON SALES TAX FROM 8.25% TO 8.5%

F1-HELP     F2-TOP      F3-COPY LINE F4-AUDIT   F5-INS LINE  F6-INS PAGE
  
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**SALES/USE TAX INDEX CODES TABLE  
FUND 7ASTATAX & SUBSIDIARY CODE 219-COZ017**

<b>DEPT. #</b>	<b>DEPARTMENT</b>	<b>DEPT. CODE</b>	<b>INDEX CODES</b>
60	Academy of Science	SCI	SCI7ASTATAX
13	Adult Probation	ADP	ADP7ASTATAX
27	Airport Commission	AIR	AIR7ASTATAX
28	Art Commission	ART	ART7ASTATAX
62	Asian Arts Museum	AAM	AAM7ASTATAX
02	Assessor	ASR	ASR7ASTATAX
01	Board of Supervisors	BOS	BOS7ASTATAX
19	Building Inspection Commission	DBI	DBI7ASTATAX
17	Child Support Services	CSS	CSS7ASTATAX
23	Child, Youth & Family	CHF	CHF7ASTATAX
64	Children and Families Commission	CFC	CFC7ASTATAX
03	City Attorney	CAT	CAT7ASTATAX
29	City Planning (Planning Commission)	CPC	CPC7ASTATAX
30	Civil Service Commission	CSC	CSC7ASTATAX
09	Controller	CON	CON7ASTATAX
04	District Attorney	DAT	DAT7ASTATAX
21	Economic & Workforce Developmt	ECN	ECN7ASTATAX
80	Elections Commission	REG	REG7ASTATAX
77	Emergency Management	ECD	ECD7ASTATAX
22	Environment Commission	ENV	ENV7ASTATAX
18	Ethics Commission	ETH	ETH7ASTATAX
61	Fine Arts Museum	FAM	FAM7ASTATAX
31	Fire Department	FIR	FIR7ASTATAX
08	General City	GEN	GEN7ASTATAX
08	General - Unallocated	UNA	UNA7ASTATAX
70	GSA - Adminstrative Services	ADM	ADM7ASTATAX
90	GSA - DPW	DPW	DPW7ASTATAX
75	GSA - Telecommunications (TIS)	TIS	TIS7ASTATAX
33	Health Service System	HSS	HSS7ASTATAX
32	Hetch Hetchy (PUC)	HHP	HHP7ASTATAX
33	Human Resources	HRD	HRD7ASTATAX
34	Human Rights Commission	HRC	HRC7ASTATAX
45	Human Services Agency	DSS	DSS7ASTATAX
12	Juvenile Probation	JUV	JUV7ASTATAX
63	Law Library	LLB	LLB7ASTATAX
40	Light, Heat and Power	LHP	LHP7ASTATAX
25	Mayor's Office-Housing/CDBG (MYR17)	MYR	MYR7ASTATAX
25	Mayor's Office-Criminal Justice (MYR13)	MYR	MYR7ASTATAX
35	Municipal Transportation Agency (MTA)	MTA	MTA7ASTATAX
36	MTA - Parking and Traffic	PTC	PTC7ASTATAX
35	MTA - Public Transportation	DPT	DPT7ASTATAX
37	Permit Appeals (Appeals Board)	PAB	PAB7ASTATAX
38	Police Commission	POL	POL7ASTATAX
39	Port Commission	PRT	PRT7ASTATAX
05	Public Defender	PDR	PDR7ASTATAX
82	Public Health - Community Mental Health	HPH	HMH7ASTATAX
81	Public Health - SFGH	HCN	HGH7ASTATAX
82	Public Health - Community Health Service	HPH	HCH7ASTATAX
81	Public Health - LHH	HCN	HLH7ASTATAX
41	Public Library	LIB	LIB7ASTATAX
40	Public Utilities Commission	PUC	PUC7ASTATAX
42	Rec & Park	REC	REC7ASTATAX
65	Rent Stabilization Bd	RNT	RNT7ASTATAX
44	Retirement System	RET	RET7ASTATAX
14	SFCCD	CCD	CCD7ASTATAX
07	SFUSD	USD	USD7ASTATAX
06	Sheriff	SHF	SHF7ASTATAX
48	Status of Women Commission	WOM	WOM7ASTATAX
35	Taxi Commission	TXC	TXC7ASTATAX

08	Treasurer/Tax Collector	TTX	TTX7ASTATAX
10/11	Trial Courts-Superior/Municipal Ct	CRT	CRT7ASTATAX
46	War Memorial	WAR	WAR7ASTATAX
40	Wastewater (PUC)	CWP	CWP7ASTATAX
47	Water (PUC)	WTR	WTR7ASTATAX

Note: In recent years, city reorganization has resulted in several departments being merged as divisions under an umbrella organization, as in the case of Administrative Services. For accrual purpose, the reorganized departments may use the general Administrative Services Agency Fund Index Code, i.e. ADM7ASTATAX.