



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
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Date: December 27, 2005

Mr. Bane Stanojkovic
Sierracin/Sylmar Corporation
12780 San Fernando Road
Sylmar, CA 91342-3728

Permit No: SR AC 097-087434 DP

Dear Mr. Stanojkovic:

Based on the information provided in your application and the proof of eligibility which you submitted, you have been approved by the Board of Equalization to hold a *Use Tax Direct Payment Permit*. Enclosed is your BOE-442-DP, *Use Tax Direct Payment Permit* and a BOE-46, *Use Tax Direct Payment Exemption Certificate*. Use of this certificate is restricted to you or your authorized agent. As the holder of the document, you are liable for any unauthorized use. Therefore, you should maintain control of the attached original and only issue copies to your suppliers.

Use Tax Direct Payment Permit

The law generally requires out-of-state retailers who are registered with the Board of Equalization and all lessors of tangible personal property to collect California use tax on their sales or leases to California consumers or lessees and remit the tax to the Board. The *Use Tax Direct Payment Permit* authorizes you to acquire property that is subject to use tax without paying the use tax to the vendor/lessor who provided the property and to self-assess and pay such use tax directly to the Board.

Use Tax Direct Payment Exemption Certificate

When you issue a copy of your exemption certificate to a vendor/lessor on a qualifying transaction, you relieve the vendor/lessor from the requirement to collect and remit the use tax. You also assume the responsibility to self-assess and pay such use tax directly to the Board. When you issue a certificate that is accepted in good faith by a vendor/lessor, you shall be the sole person liable for any taxes which are due on the transaction.

A Use Tax Direct Payment Exemption Certificate May Be Issued on the Following Types of Transactions

This certificate may only be issued on transactions which are subject to use tax. Some common transactions which are subject to use tax and for which an exemption certificate may be issued are:

- Purchases of tangible personal property from out-of-state vendors that will be used or consumed by you (e.g., supplies, capital assets, etc.), provided the property is delivered directly to you from an out-of-state location by common carrier.
- Leases of tangible personal property from both in-state and out-of-state lessors (excluding leases of mobile transportation equipment and leases of motor vehicles from California new vehicle dealers or from vehicle lessors who purchase their leased vehicles from California new vehicle dealers).
- Leases of motor vehicles from out-of-state dealers or lessors if the vehicles come directly from an out-of-state inventory.

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A Use Tax Direct Payment Exemption Certificate May Not Be Issued on the Following Types of Transactions

The certificate may **not** be used on transactions that are subject to **sales tax** or if the property purchased is to be resold. Examples of common transactions for which this certificate may not be used are:

- Purchases of tangible personal property from California vendors.
- Purchases of property which will not be used or consumed by you (e.g., resale inventory).
- Purchases of property from out-of-state vendors when title to such property is not taken out of state or the property is not delivered **directly** to you from an out-of-state location (e.g., delivery is made from an in-state inventory of the vendor or from an in-state inventory on behalf of the vendor).
- Leases of mobile transportation equipment or motor vehicles from California new vehicle dealers or from lessors who purchase their leased vehicles from California new vehicle dealers (Revenue and Taxation Code section 7205.1).

When to Issue the Use Tax Direct Payment Exemption Certificate

If a purchase or lease is subject to use tax and you wish to self-assess and pay such use tax directly to the Board, you must issue a timely certificate to the seller/lessor to relieve the seller/lessor of the requirement to collect the use tax. To be timely, the certificate must be issued any time before the seller/lessor bills you for the property, or any time within the seller/lessor's normal billing and payment cycle, or any time at or prior to delivery of the property to you.

Reporting the Use Tax

Your application certified that you agreed to self-assess and pay directly to the Board the use taxes due on all purchases or leases for which a use tax direct payment exemption certificate was issued. Accordingly, if you acquire property under an exemption certificate you must timely report the purchase price or the rental payments for such property on line 2 of your sales and use tax return or on line 1 of your consumer use tax return. You should also retain worksheets identifying any property acquired under a certificate and self-assessed in the event that you are audited. If you do not properly report and pay the use tax that is due on property acquired under a certificate, you could be liable for interest and penalties in addition to any tax that is owed.

Allocating the Local Use Tax

Local and district use taxes for property acquired under an exemption certificate shall be allocated on your returns to the county, city, city and county, or redevelopment agency in which the property is first used.

Questions

If you have any questions regarding the Use Tax Direct Payment Program call 916-445-5167, or write to: Board of Equalization, Compliance Policy Unit, P.O. Box 942879, Sacramento, CA 94279-0040.

STATE BOARD OF EQUALIZATION

Sales and Use Tax Department

Enclosures: BOE-46
BOE-442-DP

DISPLAY CONSPICUOUSLY AT PLACE OF BUSINESS FOR WHICH ISSUED

CALIFORNIA STATE BOARD OF EQUALIZATION

USE TAX DIRECT PAYMENT PERMIT

*THIS PERMIT IS NOT A SELLER'S PERMIT TO ENGAGE IN SALES
OF TANGIBLE PERSONAL PROPERTY*



ACCOUNT NUMBER

12/27/05 SR AC 97-087434 DP

SIERRACIN/SYLMAR CORPORATION
12780 SAN FERNANDO RD
SYLMAR, CA 91342-3728

*THIS PERMIT DOES NOT
AUTHORIZE THE HOLDER
TO ENGAGE IN ANY
BUSINESS CONTRARY TO
LAWS REGULATING THAT
BUSINESS OR TO
POSSESS OR OPERATE
ANY ILLEGAL DEVICE.*

IS HEREBY AUTHORIZED PURSUANT TO **SALES AND USE TAX LAW** SECTION 7051.3 TO SELF-ASSESS AND PAY USE TAX DIRECTLY TO THE STATE OF CALIFORNIA.

**For general tax questions, please telephone our Information Center at 800-400-7115.
For information on your rights, contact the Taxpayers' Rights Advocate office at 888-324-2798 or 916-324-2798.**

BOE-442-DP REV. 2 (10-04)

THIS PERMIT IS VALID UNTIL REVOKED OR CANCELED BUT IS NOT TRANSFERABLE

A MESSAGE TO OUR NEW PERMIT HOLDER

As a seller, you have rights and responsibilities under the Sales and Use Tax Law. In order to assist you in your endeavor and to better understand the law, we offer the following sources of help:

- Visiting our website at www.boe.ca.gov
- Visiting a district office
- Attending a Basic Sales and Use Tax Law class offered at one of our district offices
- Sending your questions in writing to any one of our offices
- Calling our toll-free Information Center at 800-400-7115

As a seller, you have the right to issue resale certificates for merchandise that you intend to resell. Conversely, you have the responsibility of not misusing resale certificates. While the sales tax is imposed upon the retailer;

- You have the right to seek reimbursement of the tax from your customer
- You are responsible for filing and paying your sales and use tax returns timely
- You have the right to be treated in a fair and equitable manner by the employees of the Board
- You are responsible for following the regulations set forth by the Board

As a seller, you are expected to maintain the normal books and records of a prudent businessperson. You are required to maintain these books and records for no less than four years, and make them available for inspection by a Board representative when requested. You are also expected to notify us if you are buying, selling, adding a location, or discontinuing your business, adding or dropping a partner, officer, or member, or when you are moving any or all of your business locations. If it becomes necessary to surrender this permit, you should only do so by mailing it to a Board office, or giving it to a Board representative.

If you would like to know more about your rights as a taxpayer, or if you are unable to resolve an issue with the Board, please contact the Taxpayers' Rights Advocate office for help by calling toll-free, 888-324-2798 or 916-324-2798. Their fax number is 916-323-3319.

Please post this permit at the address for which it was issued and at a location visible to your customers.

THE STATE BOARD OF EQUALIZATION
Sales and Use Tax Department

Tuesday, January 10, 2006 (2).max

USE TAX DIRECT PAYMENT EXEMPTION CERTIFICATE

CERTIFICATION

I hereby certify that I hold use tax direct payment permit no. SR AC 097-087434 DP issued pursuant to California Sales and Use Tax Law section 7051.3 and that I am authorized to report and pay directly to the state the applicable use tax with respect to the property described herein which I shall purchase from:

NAME OF VENDOR

In the event that I fail to timely report and pay the applicable tax to the state, I understand and agree that in addition to the tax liability, I will be liable for applicable interest and the amount due may be subject to penalties.

DESCRIPTION OF PROPERTY TO BE PURCHASED

PURCHASER

Sierracin/Sylmar Corporation

DATE CERTIFICATE GIVEN

December 27, 2005

ADDRESS

12780 San Fernando Road, Sylmar, CA 91342-3728

SIGNATURE OF PURCHASER OR AUTHORIZED AGENT

IMPORTANT NOTICE TO VENDORS

This exemption certificate when timely taken in good faith from a person who holds a use tax direct payment permit relieves a vendor from the requirement to collect and remit **use tax** on sales or leases of tangible personal property (other than leases of mobile transportation equipment or motor vehicles subject to the terms of Revenue and Taxation Code section 7205.1) to the person who issued the certificate. It does NOT relieve a vendor of any **sales tax** obligations. **Generally, this certificate should be accepted only by cut-of-state vendors or by lessors of tangible personal property other than motor vehicle lessors.** Sellers can claim a deduction on their sales and use tax returns for any sales made under this certificate.

Vendors must retain a completed copy of this certificate in their files for a period of not less than four years to substantiate the exempt status of sales made under its authority.

This Exemption Certificate has been approved by the California State Board of Equalization.

APPROVED BY (Board of Equalization representative)

DATE

12/28/05

Questions regarding this form should be directed to 916-445-5167, or write to the Board of Equalization, Compliance Policy Unit, PO Box 942879, Sacramento, CA 94279-0040.

THIS FORM MAY BE REPRODUCED

State of California
BOARD OF EQUALIZATION

SALES AND USE TAX REGULATIONS

Regulation 1699.6 USE TAX DIRECT PAYMENT PERMITS

Reference: Sections 6007, 6070, and 7051.3, Revenue and Taxation Code

(a) FOREWORD. "Use tax direct payment permit" means a permit issued by the board that allows a use tax direct payment permit holder to self-assess and pay state, local, and district use taxes under Part 1 (commencing with Section 6001, Part 1.5 (commencing with Section 7200), and, if applicable, Part 1.6 (commencing with Section 7251) directly to the board. The provisions of this regulation apply only to transactions subject to use tax.

(b) (1) APPLICATION FOR PERMIT. Persons seeking to pay use taxes directly to the board shall file an application for a use tax direct payment permit. An application for a use tax direct payment permit shall be made on Board of Equalization Form BOE-400-DP (no revision date). The application shall be signed by the owner, if a natural person; in the case of an association or partnership, by a member or partner; and in the case of a corporation, by an executive officer or some person specifically authorized by the corporation to sign the application.

(2) Within 30 days of receipt of an application for a direct payment permit the board shall inform the applicant in writing either that the application is complete and has been accepted or that the application is deficient and what additional specific information is required to make the application complete. Within 60 days of acceptance of a complete application the board shall approve or deny the issuance of a direct payment permit and notify the applicant in writing of its decision.

(c) REQUIREMENTS FOR PERMIT. Pursuant to an application, a use tax direct payment permit shall be issued to any person who meets all of the following conditions:

(1) The applicant agrees to self-assess and pay directly to the board any use tax liability incurred under this regulation.

(2) The applicant certifies to the board either of the following:

(A) The applicant is the purchaser for its own use or is the lessee of tangible personal property subject to the use tax at a cost of five hundred thousand dollars (\$500,000) or more in the aggregate, during the calendar year immediately preceding the application for the permit. Tangible personal property purchased for own use includes both property subject to use tax and property exempt from use tax except that it does not include property purchased for resale; or

(B) The applicant is a county, city, city and county, or redevelopment agency.

(d) REPORTING OF LOCAL USE TAX. Any person who holds a valid use tax direct payment permit shall self-assess and pay directly to the board with each return the use taxes due under Division 2, Part 1 (commencing with Section 6001), Part 1.5 (commencing with Section 7200), and, if applicable, Part 1.6 (commencing with Section 7251), for all purchases subject to use tax for which a use tax direct payment exemption certificate was issued, and shall report the local use tax component to the jurisdiction in which the property is located at the time the state imposed use tax must be reported. Temporary storage for the purpose of reporting local tax shall be disregarded. Any tax so reported may be redistributed in accordance with law.

(e) RETURNS. On or before the last day of the month following each quarterly period, a holder of a direct payment permit shall file a return with the board. The person required to file the return shall deliver it together with a remittance for the amount of tax due to the board. The return shall show the aggregate sales price of tangible personal property purchased during the reporting period with respect to which the person filing the return has issued a use tax direct payment exemption certificate relieving the retailer of liability for reporting and paying use tax, and such other information as the board may require.

(f) EXEMPTION CERTIFICATES. The board shall allow any holder of a use tax direct payment permit to issue a use tax direct payment certificate to any registered retailer or seller subject to all of the following:

Regulation 1699.6 (Continued)

(1) The use tax direct payment exemption certificate shall be in a form prescribed by the board, and shall be signed by, and bear the name, address, and permit number of, the holder of the use tax direct payment permit.

(2) Once a use tax direct payment exemption certificate has been issued by a holder of a use tax direct payment permit, it shall remain effective until revised or withdrawn by the holder of the permit or until the retailer or seller has received written notice that the permit has been revoked by the board.

(3) A use tax direct payment certificate relieves a person selling property from the duty of collecting use tax only if taken timely and in good faith from a person who holds a use tax direct payment permit. A certificate will be considered timely if it is taken at any time before the seller bills the purchaser for the property, or any time within the seller's normal billing and payment cycle, or any time at or prior to delivery of the property to the purchaser.

(4) A purchaser who issues a use tax direct payment certificate that is accepted in good faith by a seller or retailer of tangible personal property shall be the sole person liable for any sales tax and related interest and penalties with respect to any transaction that is subsequently determined by the board to be subject to sales tax and not use tax. The local sales tax portion so determined shall be allocated to the city, county, city and county, or redevelopment agency to which the tax would have been allocated if it had been reported and paid by the retailer in accordance with Part 1.5 (commencing with Section 7200). Such allocation shall be based on the place of sale as provided in Regulation 1802 and Regulation 1822.

(5) Any person who holds a use tax direct payment permit and gives a use tax direct payment certificate to a seller or retailer shall, in addition to any applicable use tax liabilities, be subject to the same penalty provisions that apply to a seller or retailer.

(g) RESALE TRANSACTIONS. A use tax direct payment exemption certificate shall not be substituted for a resale certificate, because the tax consequences are different. Resale certificates shall only be issued with respect to property which the purchaser intends to resell, and use tax direct payment exemption certificates shall be issued only for property purchased for use or other consumption. If a retailer makes sales under both a use tax direct payment exemption certificate and a resale certificate to the same customer, an audit trail must be maintained to identify which property is sold pursuant to each certificate.

(h) REVOCATION OF PERMIT. The board may revoke the use tax direct payment permit of any person who fails to purchase tangible personal property for own use of at least \$500,000 per year. The permit shall remain valid for all transactions taking place prior to the date the permit is revoked.

(i) SUCCESSOR ENTITIES. A successor entity to a use tax direct payment permit holder shall qualify to obtain a use tax direct payment permit if the predecessor entity so qualified in the calendar year in which the succession occurred but must obtain its own permit.

(j) OPERATIVE DATE. The provisions of this regulation apply only to purchases that occur on or after January 1, 1998.

History: Adopted September 23, 1998, effective July 9, 1999.

Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.