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Firms must account for use tax

A 2010 rule requires taxpayers with more than $100,000 in business gross receipts to register with the state's Board of Equalization.

By Karen E. Klein
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Dear Karen: Can you explain the new use-tax law for small businesses?

Answer: Use tax is not new, said Brad Graves, an accountant and partner at Haskell & White in Irvine. Longstanding tax law requires consumers to report and pay use tax on goods purchased from out-of-state vendors, such as online retailers, who do not collect California sales tax.

What is new is the 2010 requirement that taxpayers with more than $100,000 in business gross receipts register with the state's Board of Equalization. "The motivation for the new bill is the state budgetary difficulties and the low level of compliance with existing use-tax law," Graves said. California reportedly loses $1 billion annually on unreported use tax from online and mail-order goods.

Small to mid-size companies, which may have assumed no tax was due on their out-of-state purchases, will be most affected by the new requirement. "These businesses are now faced with tracking these out-of-state purchases and accounting for the requisite use tax, as well as addressing potential noncompliance in the past for use-tax liabilities," Graves said.

Check customers' credit before giving it

Dear Karen: How can I deal with customers who don't pay their bills?

Answer: Have customers sign a credit application and check their credit references before you do business with them, said Michelle Dunn, a collections consultant and author of the book "The Guide to Getting Paid."

Don't ignore delinquent accounts: Place them with a collection agency sooner rather than later. And do not ship additional products to a customer who is past due.

Small-business questions? Email Karen at smallbiz@latimes.com.