

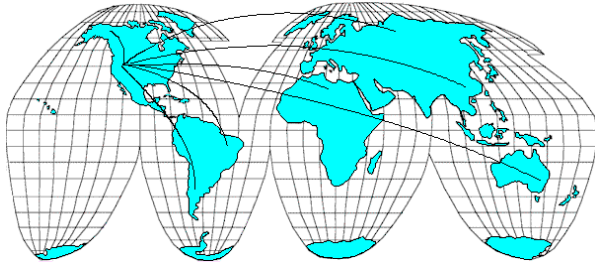


STATE OF UTAH

Utah State Tax Commission
210 North 1950 West
Salt Lake City, UT 84134

FREQUENTLY ASKED QUESTIONS

U.S. Customs Imports



Q: What is Use Tax?

A: Use tax is a tax on amounts paid or charged for purchases of tangible personal property and for certain services where sales tax was due but not charged. Use tax is not new, but has existed since July 1, 1937. In cases where a seller does not charge Utah sales tax, the purchaser is responsible to report and remit the tax. Use tax applies to both businesses and individuals.

Q: Why is there such a thing as use tax?

A: There are many reasons. Among them are the protection of Utah businesses, and the aspect of fairness to our state's citizens who purchase the same item in Utah and pay the sales tax on it.

Q: Who is required to pay use tax and how is it to be paid?

A: All purchasers that have not paid sales tax on items used in Utah are required to pay use tax. Purchasers with annual purchases subject to use tax resulting in **less than a \$400 use tax liability** may report and remit the use tax on either an Individual Income Tax Return (Form TC-40) or a Corporation Franchise/Income Tax Return (Form TC-20).

*Note: Beginning with tax year 1985, the Tax Commission has provided a line on the Utah **Individual Income Tax Return** (line 22) to report use tax. Additionally, the Utah **Corporation Franchise or Income Tax Return**, starting with tax year 2000, also provides a line to report use tax (line 11).*

Purchasers with annual purchases subject to use tax resulting in **more than a \$400 use tax liability** must become licensed for use tax and pay the tax on a Sales and Use Tax Return (Form TC-62).

Q: How do I become licensed for use tax?

A: To become licensed for use tax, you must complete Form TC-69, Utah State Business and Tax Registration. This form is found on our website at <http://www.tax.utah.gov/forms/current/tc-69.pdf>. Please include a completed Form TC-69 along with your response to this letter, if your use tax liability exceeds \$400 for your listed year 2006 purchases, and will likely exceed that amount in future years.

Q: What if my purchases are intended for resale?

A: Purchases of merchandise for resale are exempt from sales and use tax if the purchaser has a valid sales tax account. If any or all of the imported items listed on the Purchases Subject to Use Tax worksheet you received were purchased for resale, please indicate your sales tax number in your response to this letter, and provide documentation that the items purchased were intended for resale. Documentation may include invoices showing the sale of those items, or of similar items.

If any such purchases for resale are later withdrawn from inventory to be used by the purchaser, they must be reported on Line 4 of the Sales and Use Tax Return (Form TC-62).

Note: Real property contractors who convert tangible personal property into real property are considered consumers, and their purchases of construction materials and other items of tangible personal property are generally subject to sales and use tax.

Q: When I went through Customs I was told that my merchandise is exempt from tariffs. Why is the Utah State Tax Commission now trying to collect use tax on the exempt merchandise?

A: Many people confuse state tax with federal tariffs. If you purchase items for use in Utah without paying sales tax, use tax is due regardless of any federal tax liabilities or exemptions.

Q: When I went through Customs I paid the applicable tariffs on my merchandise. Isn't that double taxation?

A: Again, state taxes and federal tariffs are unrelated. If you purchase items for use in Utah without paying sales tax, use tax is due regardless of any federal tariffs paid.

References may be found in Administrative Rules R865-21U-1, R865-21U-6, and R865-19S-58, and in Utah Code Section 59-12-107. These references and other supplemental research sources may be found on the Internet at tax.utah.gov.