

# BREAKING NEWS

## SALT WATCH

### California Reduces State Portion of Sales and Use Tax Rate from 7.50% to 7.25%; Effective January 1, 2017

In November of 2012, the Schools and Local Public Safety Protection Act of 2012 was approved by California voters to temporarily increase the state sales and use tax rate by 0.25%. The increase expires on December 31, 2016. Accordingly, on January 1, 2017, the California state sales and use tax rate will be reduced from 7.50% to 7.25%.

It is important for vendors and taxpayers to understand the reduction is only applicable to the state rate, which is a portion of the total rate applicable for sales and use tax purposes. For example, prior to January 1, 2017, sales situated to the city of Santa Monica will be subject to a total rate of 9.50%. The total rate is comprised of the 7.50% state rate, a 1.5% rate for Los Angeles County, and a 0.5% rate for the city of Santa Monica. On January 1, 2017, the total rate for Santa Monica will become 9.25% as the state rate is reduced by 0.25%.

For some vendors and taxpayers, the rate change will occur in the middle of a reporting period. The state of California is updating its online filing system to allow transactions to be reported and taxed at two separate rates, depending on the date of the transaction, on the same sales and use tax return. Merchandise ordered before January 1, 2017, but delivered on or after that date, should be taxed at the new reduced rate unless otherwise stated in the contract. For any returned merchandise, the tax refunded should be equal to the tax originally paid, regardless of when the return occurs.

GBQ SALT professionals are available to assist taxpayers with understanding the applicability of tax rates and other sales/use issues.

**For more information, please contact:**

**Matt Stamp, JD, LLM**

Director of State & Local Tax Services  
614.947.5302  
mstamp@gbq.com

**Anthony Ott, CPA**

Director, State & Local Tax Services  
614.947.5311  
aott@gbq.com

**Judd Ballard, CPA**

Senior Manager, State & Local Tax Services  
614.947.5207  
jballard@gbq.com

**Jeff Monsman, JD**

Manager, State & Local Tax Services  
614.947.5226  
jmonsman@gbq.com

[www.gbq.com](http://www.gbq.com)

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