Sonoma County Office of Education

Sales Tax and Use Tax Procedures



October 2025

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Sales Tax and Use Tax Procedures

What Is Use Tax?



Use tax applies when taxable items are purchased—either within California or from out of state—and the seller either does not charge sales tax or charges it at an incorrect rate.

Sales tax rates are determined by the delivery location of the goods. If the sales tax charged by the vendor is less than the rate applicable at the delivery location, the difference is considered use tax.

The district or charter is responsible for paying this difference to the California Department of Tax and Fee Administration(CDTFA).

What Items Are Taxable?

Generally, **Tangible Personal Property (TPP)** is taxable unless specifically exempt. **TPP** includes items that can be seen, weighed, measured, felt, touched, or otherwise perceived by the senses.

Non-taxable items:

- Downloaded software (not considered tangible).

Taxable items:

- Software delivered on a **CD or other physical media**.
- Software **included with hardware purchases** (e.g., computers).

Shipping charges:

- **Taxable** when shipping and handling are **combined** on the invoice.
- **Non-taxable** when shipping is **separately listed**.

Third-party freight and **UPS charges** are **not subject** to sales tax.

Sales Of Adult Lunches and Surplus Equipment:

- Sales tax must be included in the total amount charged a buyer for
  - Adult lunches
  - Surplus equipment (sales of used/surplus equipment are not abatements)

Accounting:

- Deposit the sales tax amount to Object code 9580
- Deposit the sales revenue to Object code 8634 for adult lunches and object code 8631 for surplus equipment

How to Calculate the Sales Tax from a Total Sales Amount:

- **Taxable Amount =** Total Sale / (1 + Applicable Tax Rate)
- **Tax** = Total Sale – Taxable Amount
  - **Example:** Sale of piano for $500 (tax rate 9.75%)
  - Taxable amount = $500 / 1.0975 = $455.80
  - Sales Tax = $500 – $455.80 = $44.20

Internet Purchase:

- Internet purchases are *not* exempt from sales tax.
  - When making Internet purchases, verify that sales tax has been included.
  - Audit district/charter credit card purchases and employee reimbursements to identify any sales tax.
  - When making payment to either the credit card vendor or employee, utilize Frontline ERP's "Tax Rate Owed" and "Tax Rate Collected or Unpaid Tax Amount" features for Use Tax.

Online Use Tax Filing Requirement

- At the end of the fiscal year, each district and charter school are required to file a Use Tax Report online and make payment to the California Department of Tax and Fee Administration (CDTFA). This report should include both Use Tax incurred and Sales Tax on district/charter sales of surplus equipment and sales of adult meals.

- Refer to CDTFA Publications #71, #100, #105, and #110 for detailed information on these processes. These publications can be found on the CDTFA's website www.cdtfa.ca.gov.

- More information provided in the Year End Closing Workshop Manual

If you have any questions, please contact Christy Arend carend@scoe.org or Jing Liu jliu@scoe.org

Sales Tax Rates

Effective April1, 2025

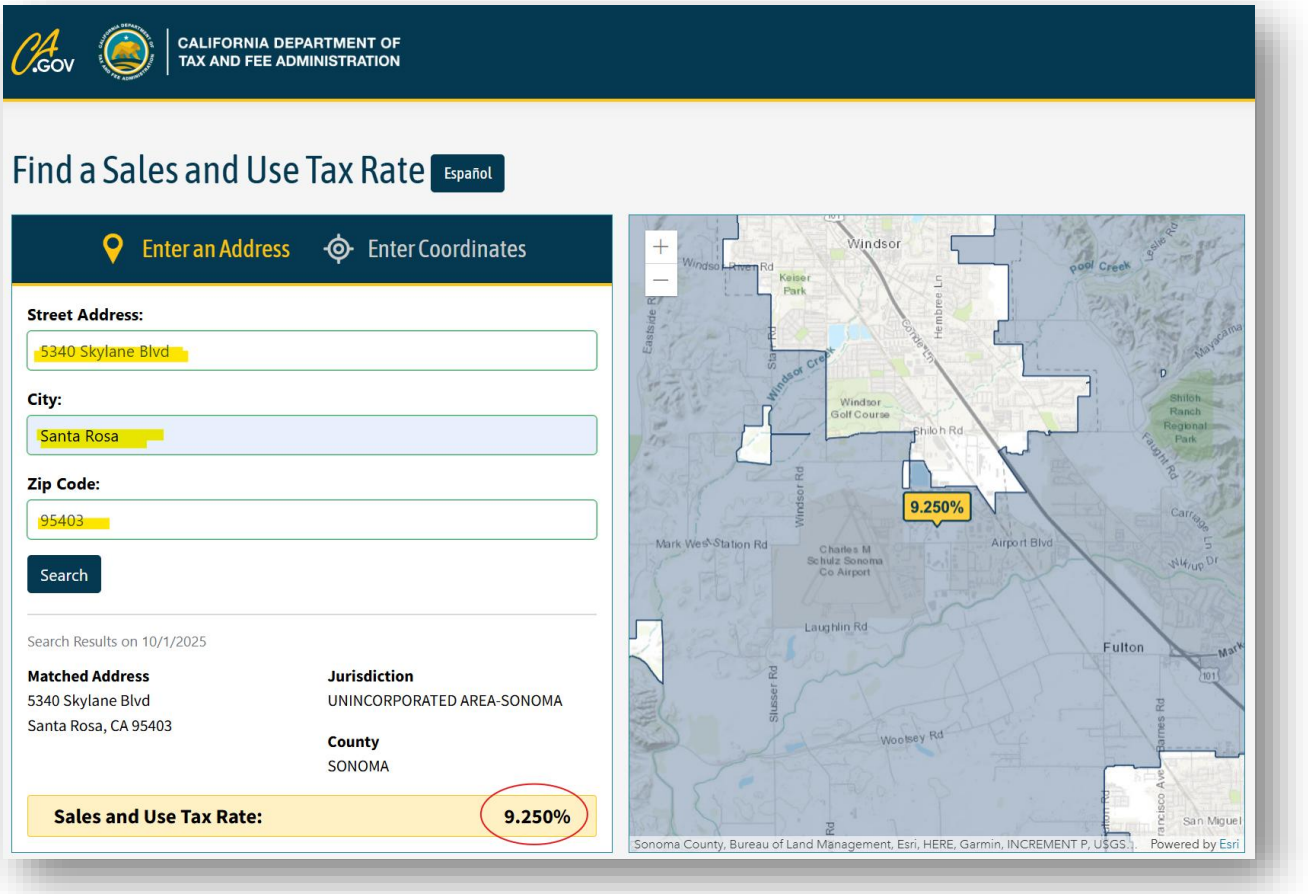
SONOMA
COUNTY 9.25%
City of Cloverdale 10.00%
City of Cotati 10.25%
City of Healdsburg 9.75%
City of Petaluma 10.25%
City of Rohnert Park 9.75%
City of Santa Rosa 10.00%
City of Sebastopol 10.25%
City of Sonoma 10.25%

It is important to verify the LEA Sales Tax Rate on the California Department of Tax and Fee Administration website based on the delivery location. LEAs can have multiple tax rates based on incorporated and unincorporated areas. https://maps.cdtfa.ca.gov/

- Enter Address
- Click the Search button
- Confirm Matched Address is accurate

Rate displayed is based on rate in effect as of the current date.

Sales Tax is based on the location the items are received. If the LEA has sites in various city/county locations be sure to check those addresses.



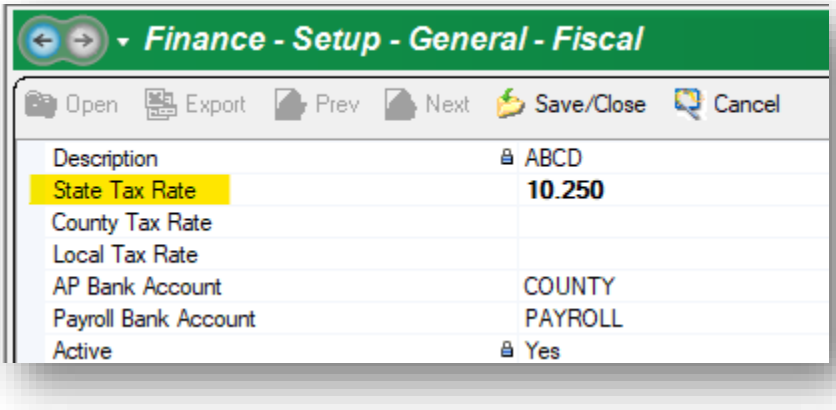
When Vendor Overcharges Sales Tax

- Correct the invoice by **reducing the sales tax** and **adjusting the total amount due**
- Include a **printout from the CDTFA** website showing the correct sales tax rate for the delivery address when submitting payment to vendor.

Sales and Use Tax Setup

Sales Tax Rates are Fiscal setup. Requisitions will automatically encumber sales/use tax if the requisition is marked for tax. The actual tax rate is defaulted from the Fiscal setup shown below.

Go to Finance – Setup – General-Fiscal



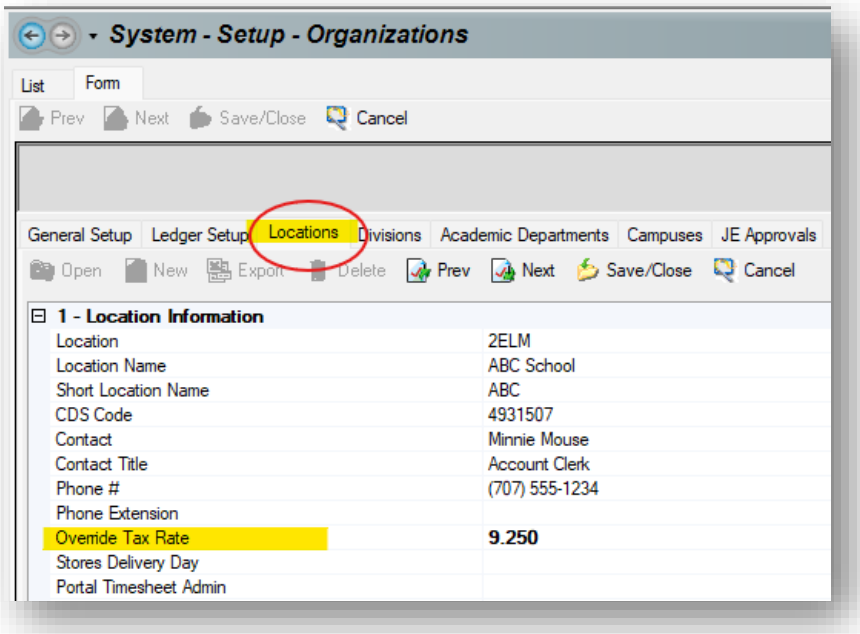
- State Tax Rate: Enter the default rate
- Save/Close

(While there are three possible tax rate fields, there is no need to separate the different tax rates)

LEAs with Multiple Tax Rates

There are LEAs where receiving locations may have a different tax rate than the general tax rate. The Organization Record allows an Override Tax Rate in the Locations Tab. The different tax rates will be applied to a requistion based on the delivery location.

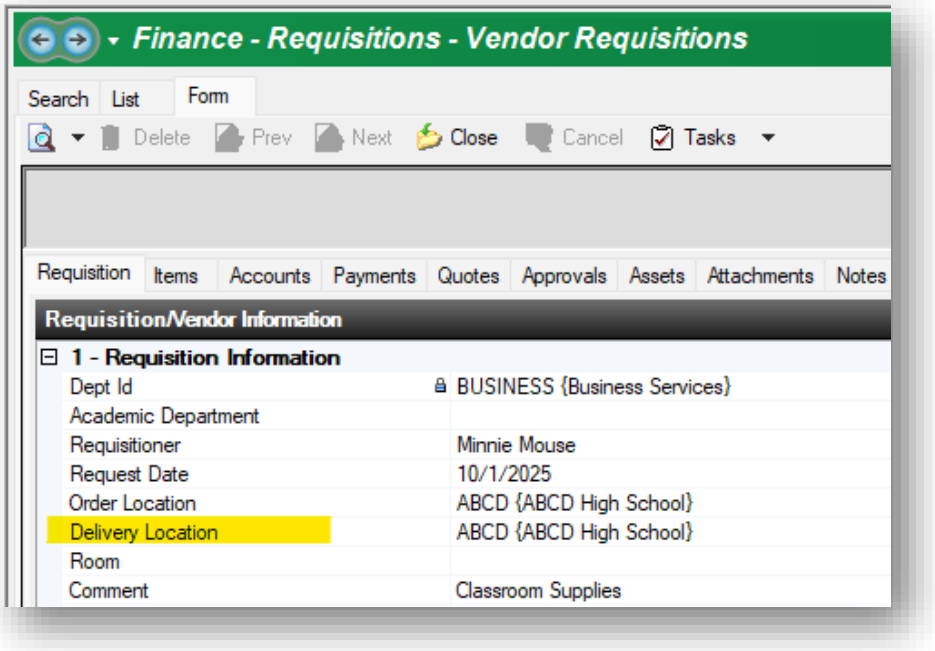
Go to System – Setup – Organizations – Locations Tab



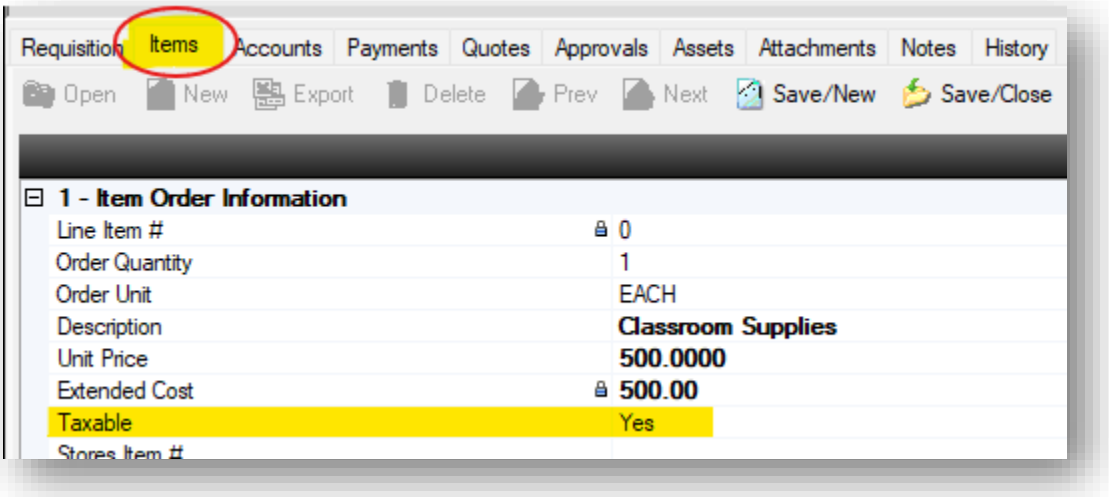
Org record is typically read only, send request to change to helpdesk@scoe.org

Requisition with Sales Tax

Once the Tax Rates are set up in Fiscal or Locations Codes, the Delivery Location will be the Tax Rate on the vendor requisition that is flagged Yes for Taxes.



The internal tax flag on the requistion Item tab is set to **Yes**. This means the system will automatically adjust the item amount by any tax factor as the requisition is set up. Typically supply requisitions will have this flag set to Yes.



NOTE: Shipping can be added as an additional line item on the requisition if known at the time the requisition is established and may not have a tax rate, Taxable would be set to NO.

Payments of Sales Tax and Use Tax

Be sure to review the invoice from the vendor that the Tax Rate is based on the delivery location. If the tax rates are different, then this must be adjusted to create use tax.

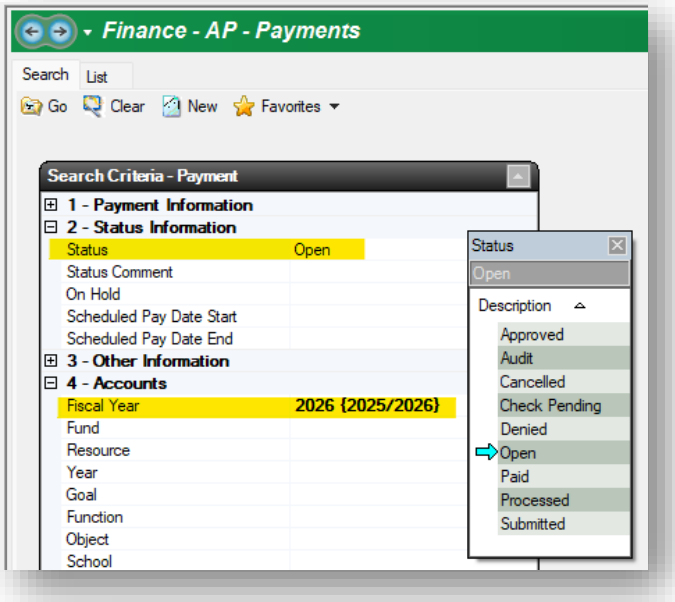
If Taxes Paid are less than Taxes Owed, this creates Use Tax and the system moves the difference to **9580 Liability Object Code** to be paid to CDTFA at year end.

If the requisition is marked **Yes** for sales tax but the payment is made with the tax rate owed and tax rate collected as the same amount, the encumbered taxes do not move to the object code 9580 because the system assumes the tax is included in the invoice amount paid to the vendor.

Payments are entered in ***AP - Enter Payments, Direct Payments or Payment Transactions***. There is not an option to update Taxes in these activitites.

After payments have been created and Sales Taxes needs to be adjusted go to Payments.

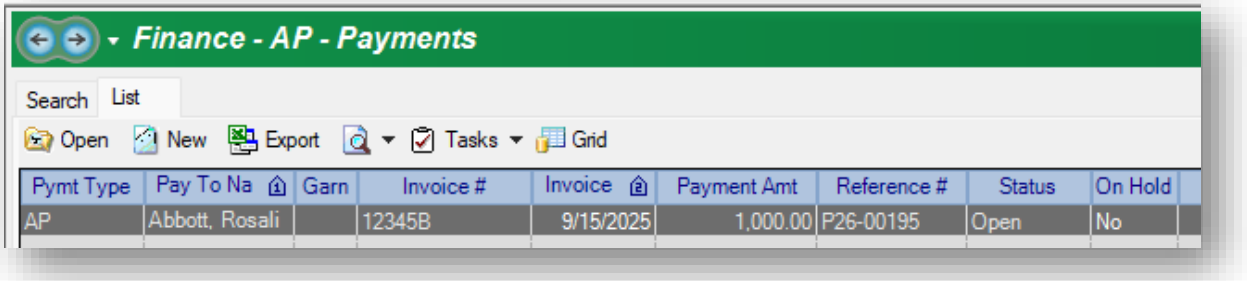
Go to Finance – AP – Payments



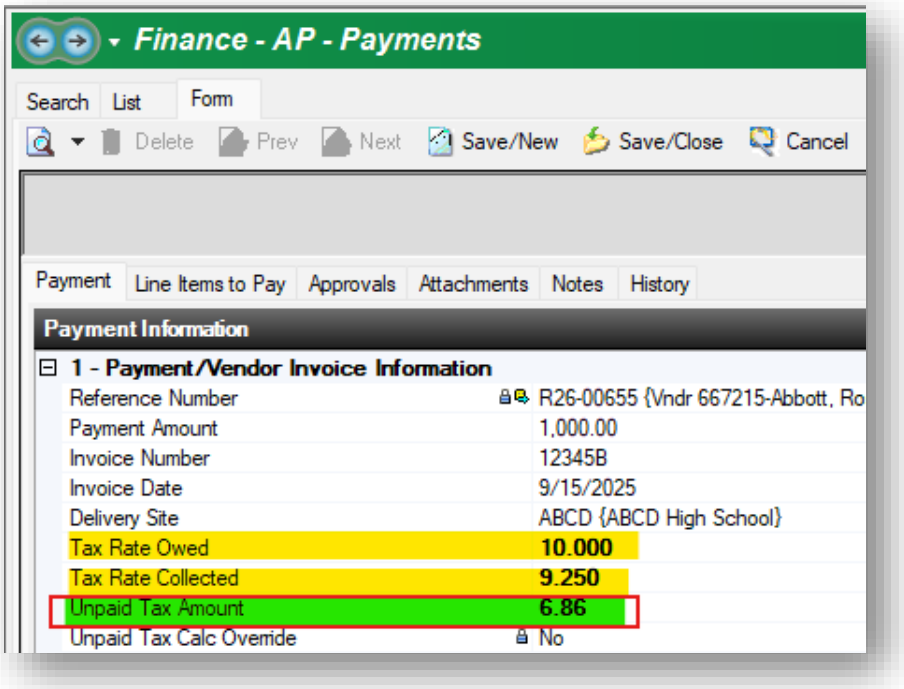
Search for Payments

- Status: Open
- Fiscal Year: 2026 {2025/2026}
- Click Go to get a list

- Open the Payment to update the Tax fields



Example - Use Tax Created



- **Tax Rate Owed:**
Enter the rate where items were delivered

- **Tax Rate Collected:**
Enter the rate on the invoice

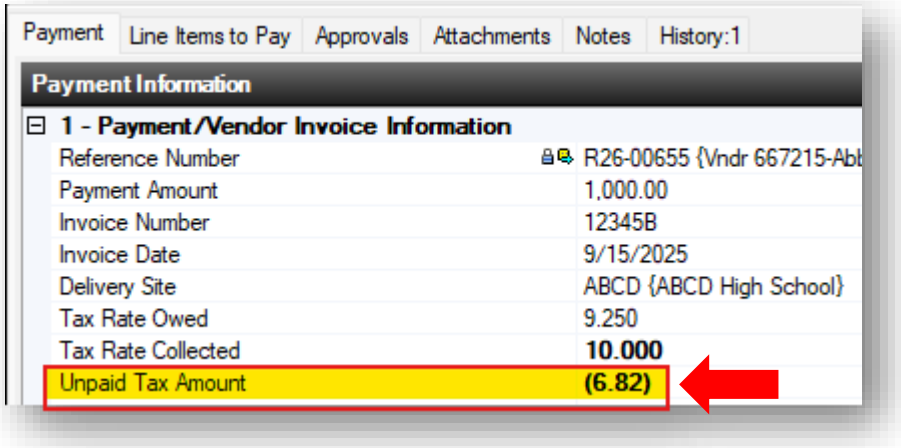
- **Unpaid Tax Amount:**
The system will caclulate the amount.

- When payment is processed the Unpaid Tax Amount will transfer to the 9580 Liability Object Code for payment to CDTFA at the end of the fiscal year using the ***ReqPay20 Use Tax Report***.



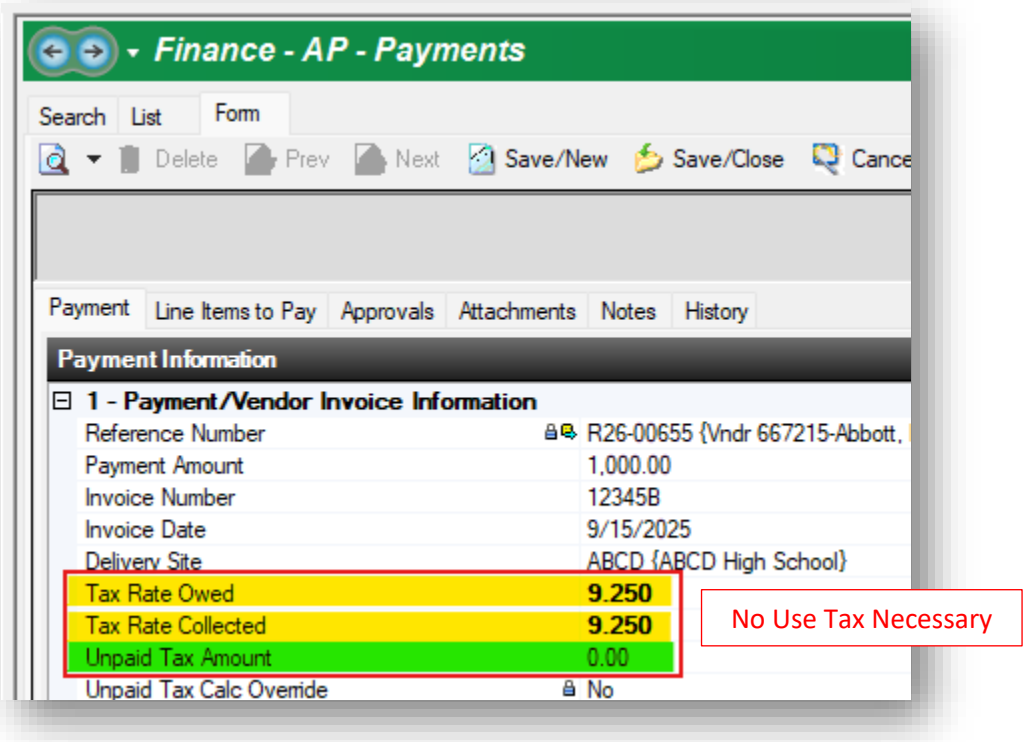
Important: The Unpaid Tax Amount must not be negative!!

If the invoice from the vendor has a Tax Rate that is higher than the delivery location Tax Rate, then the payment should be decreased by that amount. In that case the Tax Rate Owed and Tax Rate Collected would be the same amount and no Unpaid Tax Amount is calcuated.



Example A – Taxes on invoice same as Taxes of delivery location, No Use Tax Adjustment

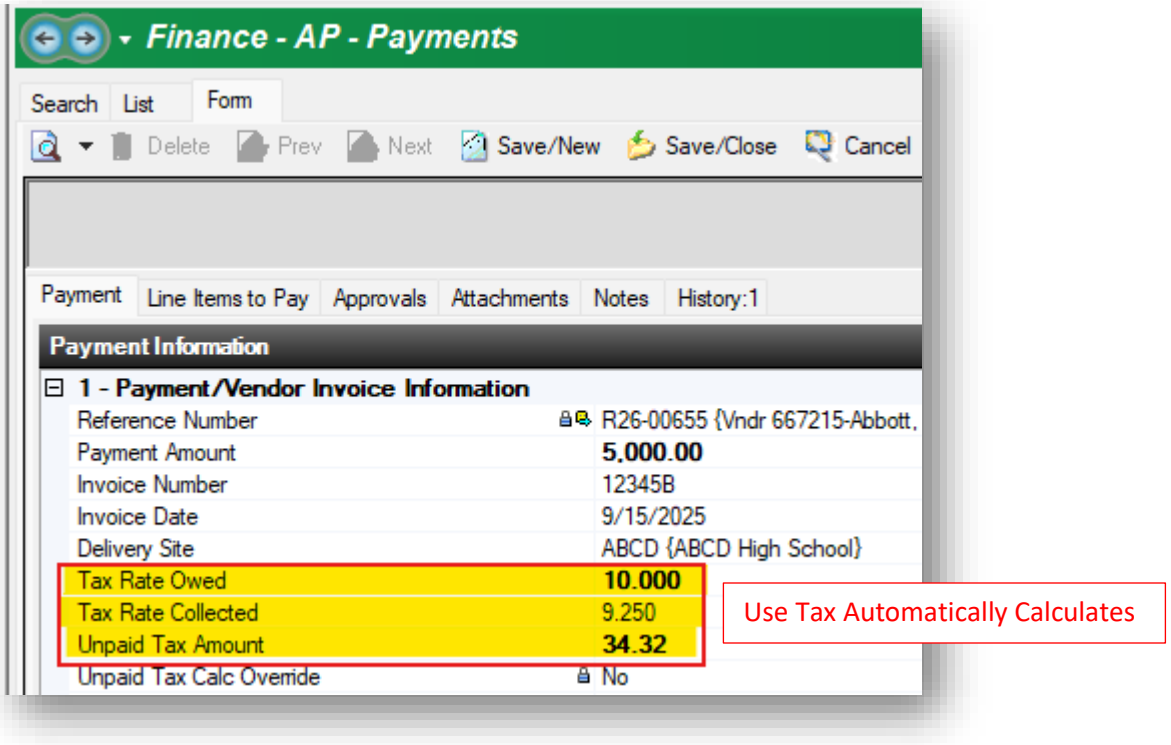
The vendor's invoice has the Tax Rate as 9.25% and the delivery location has the Tax Rate as 9.25%, no adjustment is needed in the Tax Rate fields.



- Tax Rate Owed: 9.25
- Tax Rate Collected: 9.25
- Unpaid Tax Amount: 0.00
- When Payment is processed the system will Debit the Expense Account $1,000 and Credit Cash $1,000.
- No Use Tax generated to 9580 Object Code

Example B – Taxes on invoice are less than Taxes of delivery location – Use Tax Required

The vendor's invoice has the Tax Rate as 9.25%, however, the delivery location has the Tax Rate of 10.00%, this will require a Use Tax adjustment. Enter in the Tax Rate Owed as 10.00 and Tax Rate Collected by vendor as 9.25, the system will automatically calculate the Unpaid Tax Amount.

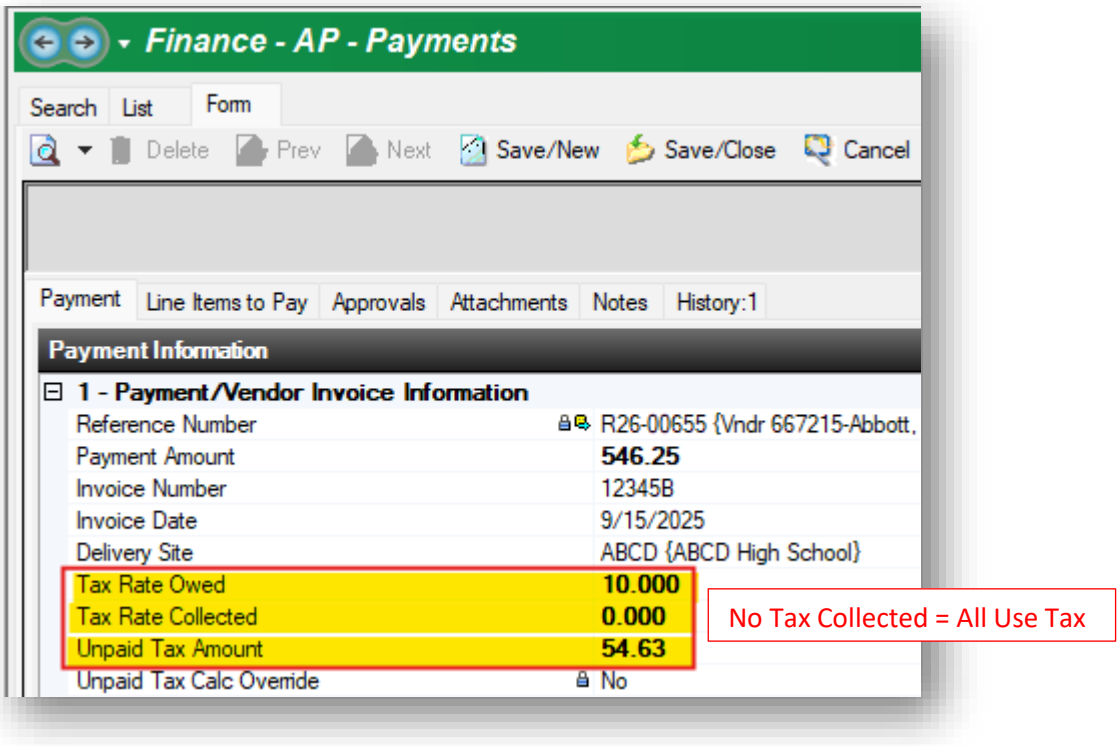


Enter in the Tax Rates:

- Tax Rate Owed: 10.00
- Tax Rate Collected: 9.25
- Unpaid Tax Amount: 34.32
- Save/Close
    - When Payment is processed the system will
        - Debit the Expense Account $5,000
        - Credit Use Tax 9580 Object Code $34.32
        - Credit Cash $4,965.68

Example C – No Taxes on invoice for taxable items – Use Tax Required

The vendor's invoice has the Tax Rate as 0.00%, however, the items are taxable and must be paid based on the delivery location, which has the Tax Rate of 10.00%. This will require a Use Tax adjustment. Enter in the Tax Rate Owed as 10.00 and Tax Rate Collected by vendor as 0.00, the system will automatically calculate the Unpaid Tax Amount.



Enter in the Tax Rates:

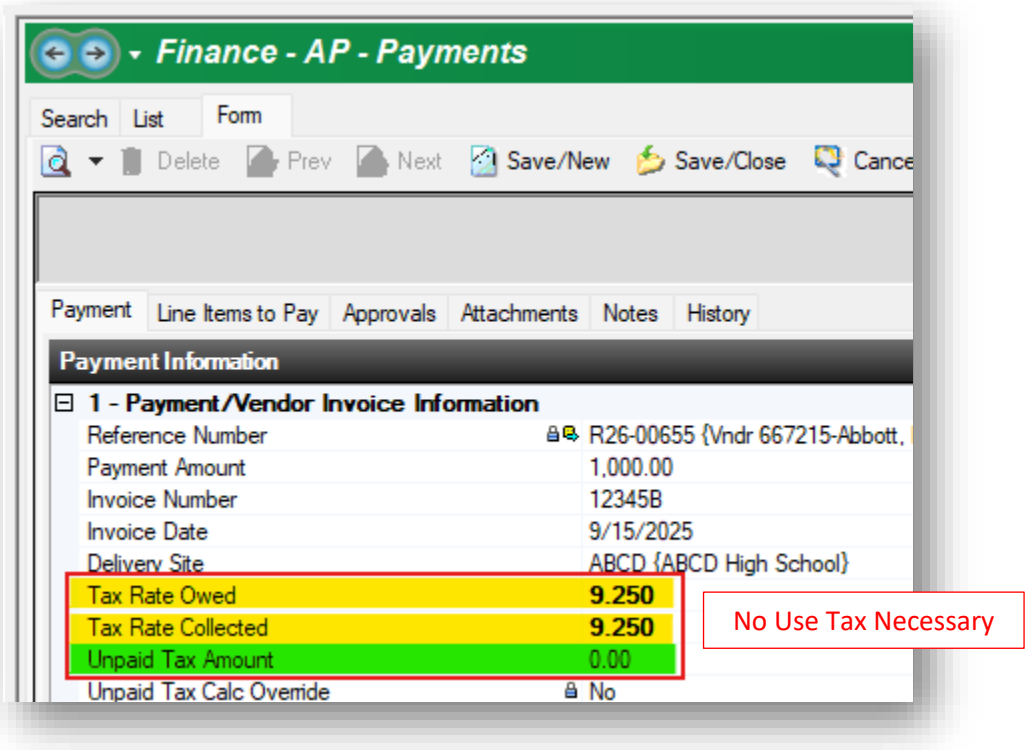
- Tax Rate Owed: 10.00
- Tax Rate Collected: 0.00
- Unpaid Tax Amount: 54.63
- Save/Close
    - When Payment is processed the system will
        - Debit the Expense Account $546.25
        - Credit Use Tax 9580 Object Code $54.63
        - Credit Cash $491.62

Example D – Taxes on invoice are more than Taxes of delivery location, Decrease payment to vendor

The vendor's invoice has the Tax Rate as 10.00% and the delivery location has the Tax Rate as 9.25%, enter Tax Rate Owed and Tax Rate Collected as 9.25. The payment will be less than the invoice.

It's recommended to send a notification letter and the printout from the California Department of Tax and Fee Administration website https://maps.cdtfa.ca.gov/ to the vendor.

See next page for sample vendor notification letter.



- Tax Rate Owed: 9.25
- Tax Rate Collected: 9.25
- Unpaid Tax Amount: 0.00
- When Payment is processed the system will Debit the Expense Account $1,000 and Credit Cash $1,000.
- No Use Tax generated to 9580 Object Code

Sample Vendor Notification Letter

10/1/2025

SCHOLASTIC
PO BOX 639852
Cincinnati, OH 45263-9852

Re: California Sales Tax Rate for Invoice XXXXXX

Dear Vendor:

We have decreased our remittance for the above referenced invoice to correct the overcharge of California sales tax. This invoice reflects a sales tax rate of **10.00%**. However, the actual sales tax rate should have been **9.25%**, which is the rate applicable to the delivery location for the items received.

California Department of Tax and Fee Administration website https://maps.cdtfa.ca.gov/.

This sales tax rate correction results in a decrease of **($X.XX)** to the total invoice amount. Please adjust our account to reflect full payment of this invoice.

Thank you for your attention to this matter.

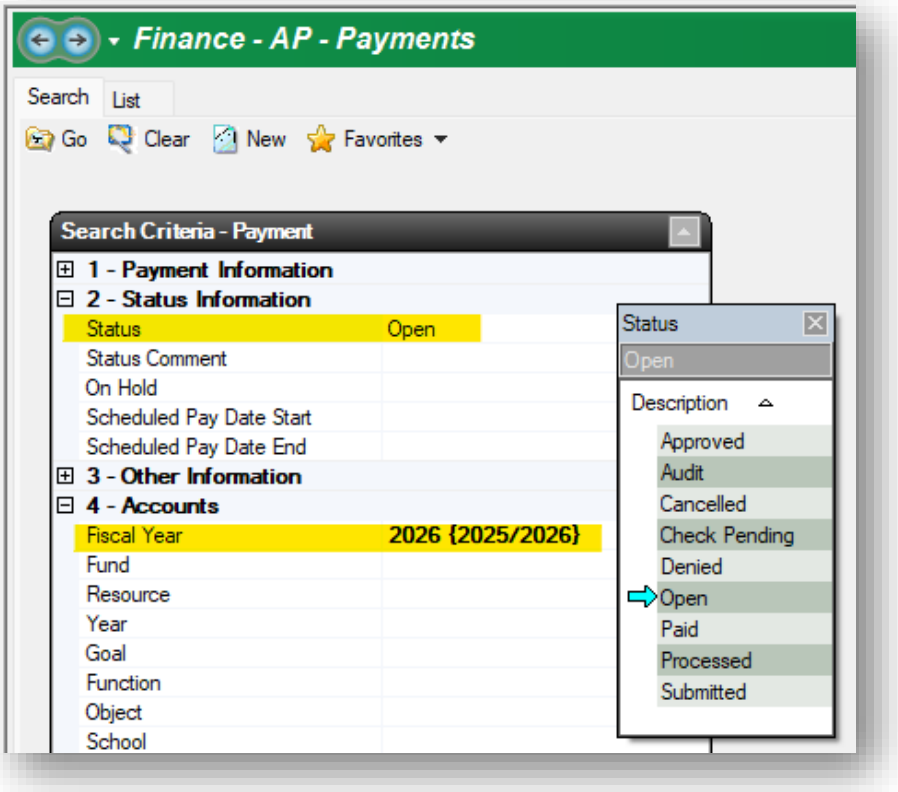
Sincerely,

Accounts Payable Technician
(707) XXX-XXXX

Submit Payments for Approval

Search for payments in Open Status then use Tasks to Submit for approval.

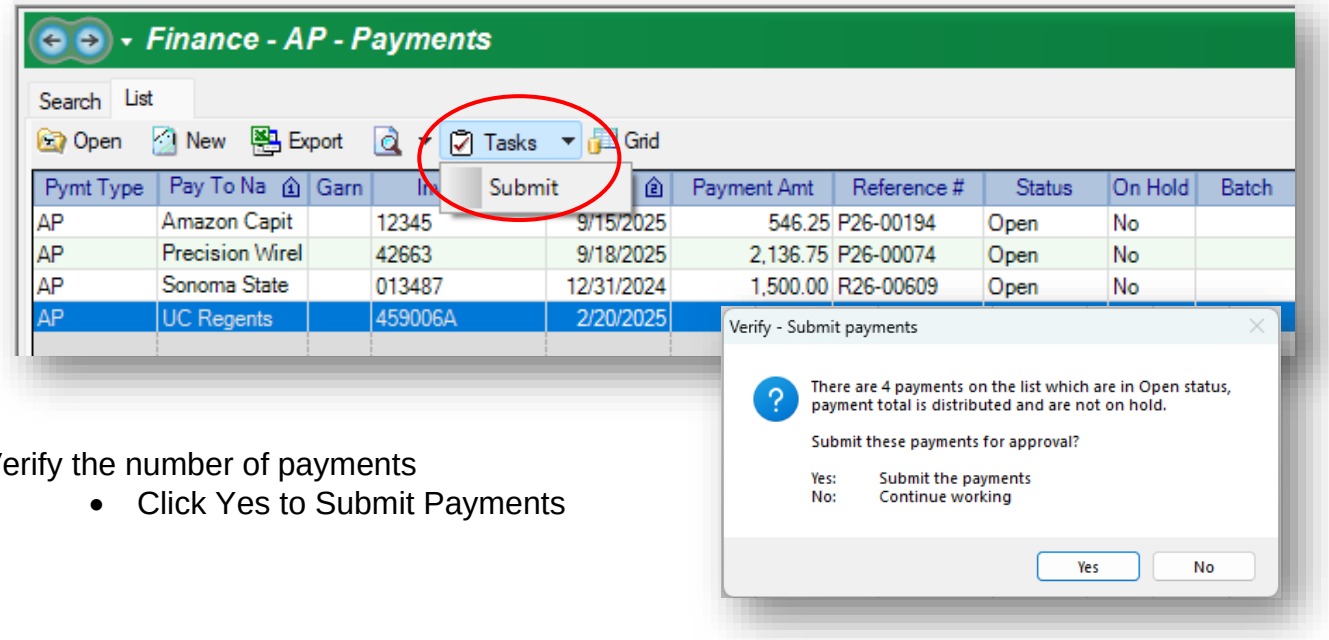
Go to Finance – AP – Payments



Use the dropdown menu in the Status field to select the options

- Status: Open
- Fiscal Year: 2026
- Click Go to get a list

- Review the list of payments then go to Tasks to Submit for Approval



Verify the number of payments

- Click Yes to Submit Payments

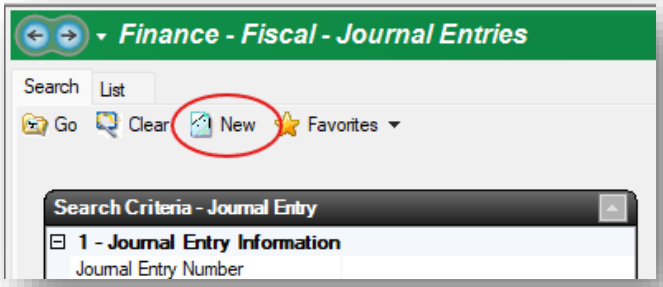
Identify Use Tax Retroactively

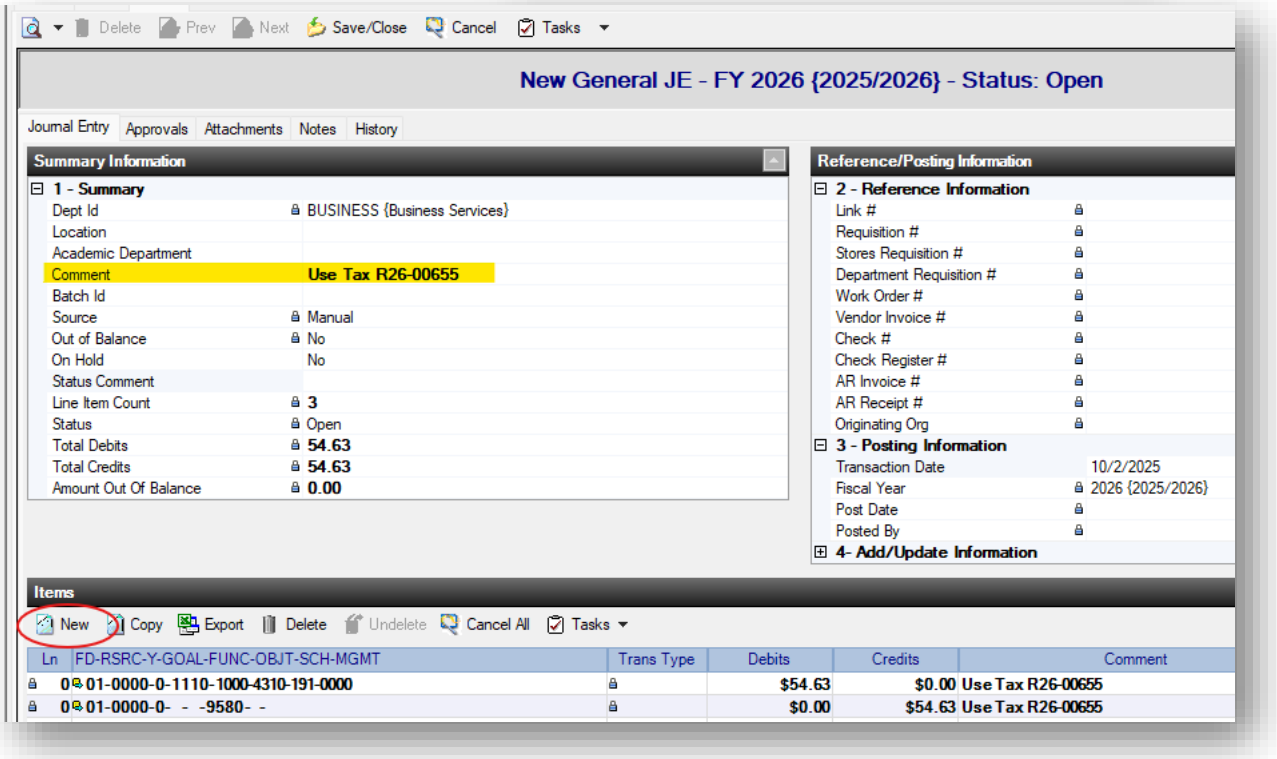
If a payment has been processed but later discovered that there should have been Taxes adjusted, then a manual journal entry(JE) is needed to create the Use Tax owed. The entry would be a Debit to the expense and Credit to 9580 Object Code. The JE adjustment doesn't appear on the ReqPay20 Use Tax report, however Fiscal Reports do for 9580 Liability Account and will need to be reconciled before payment is processed to the State of CA.

Create Journal Entries

Go to Finance – Fiscal – Journal Entries

- Click New to create a JE





- Comment: Enter Comment, Example: Use Tax R26-00655
  - Comment is searchable
- Click New to enter the accounts
  - Debit Expense Account
  - Credit 9580 Object Code for Use Tax
- Save or go to Tasks to Submit for Approval

Example Journal Entry Snapshot



Ledger99a — Journal Entry Snapshot

Journal Entry Link # 289004

Journal Entry # **(Link) 289004** Status **Submitted** Type **General** Fiscal Year **2026** Transaction Date **10/02/2025**

Created TEST1, 10/2/2025 Posted Originating Org

Requisition # Purchase Order # Department BUSINESS Batch #

Comment Use Tax R26-00655

Account #	Comments	Line Seq (Tran Type)	Debits	Credits
01-0000-0-1110-1000-4310-191-0000	Use Tax R26-00655	1 (X)	54.63	
01-0000-0- - -9580- -	Use Tax R26-00655	2 ( )		54.63
		JE # Totals	54.63	54.63

Important: JE adjustment **DO NOT** appear on the **ReqPay20 Use Tax Report**, Run **Fiscal 02 Account Summary by Object-Balance**. This will show all transactions for **9580 Liability Account** and will need to be reconciled before payment is processed to the CA Dept of Tax and Fee Administration.

Online Filing and Payment by July 31

Each LEA is responsible for filing the use tax and payment to the **California Department of Tax and Fee Administration by July 31** each fiscal year. If there is no Use Tax for the fiscal year, the LEA must file 0.00. More information provided at the Year End Closing Workshop Manual.

When the LEA is ready to file their return online with the California Department of Tax and Fee Administration (CDTFA).

Watch the Below Video Tutorials for Returns/Sales and Use Tax

- Go to: https://cdtfa.ca.gov/video-resources.htm
- Under Video Tutorials, go to the Returns section and choose which of the below applies:
  - ii. Select “How to File a Sales and Use Tax Return with Multiple Locations”
  - iii. Select “How to File a Sales and Use Tax Return with One selling location”

Reports

Reconcile Use Tax for the 9580 liabilities created during payment processing and through manual adjustments.

- ReqPay20 Use Tax
- Fiscal02 Account Summary by Object Balance – OR –
- Fiscal03 Account Balance Transaction Detail by Object