



Hartmann, Blackmon & Kilgore, PC
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CONSUMER USE TAX

WHAT BALDWIN COUNTY BUSINESSES NEED TO KNOW

HB&K team members recently called a meeting with Baldwin County representatives to discuss the increase in audits of local businesses for consumer use tax. The audit look-back period extends to 1989 or the time a company began operating, whichever is most recent. Businesses may find they owe significant tax, penalties and interest.

What Is Consumer Use Tax?

Consumer use tax is assessed on anything a business purchases for use in their trade if sales tax is not collected by the vendor. This might apply to items purchased on the internet or ordered from an out of state supplier.

Is Your Business Prepared For An Audit?

In many cases, business owners might not be aware they are required to pay use tax on goods. If your business has been purchasing goods online or out of state, you should immediately review your use tax payment history for compliance.

If you have not been filing use tax returns, or think you have been under-reporting your tax obligations, it is important for you to contact your HB&K advisor right away. We will evaluate your potential liability and work with you and county officials to narrow your company's look back period and establish payment terms if necessary.

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CONSUMER USE TAX EXAMPLES OF TAXABLE PURCHASES

Almost every business purchases items subject to consumer use tax. Following are a few examples of goods which may be subject to use tax:

Medical Practices

- Equipment used in diagnosing or treating patients
- Subscriptions to trade publications
- Office furniture

Retail Establishments

- Shelving and display units
- POS systems
- Time clocks

Contractors

- Materials delivered to job site
- Tools and equipment
- Safety items

Restaurants

- Employee meals
- Labor for catering jobs
- Kitchen equipment

Hotels/Motels

- Linens and uniforms
- Food staples offered to guests in "free Continental breakfast" promotions
- Software purchases

Veterinarians

- Equipment
- Medical Supplies
- Trade journals and publications

Charter Boat Services

- Fuel used in delivering service to paying customers
- Value of fish caught and kept by fishermen
- Equipment and supplies such as fishing line or engine parts.

Please note: this list is included to illustrate the types of purchases subject to use tax and is not intended to be inclusive of all applicable purchases.

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