



**RIVERSIDE COUNTY
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AUDITOR-CONTROLLER**

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Sales and Use Tax Rate Increase

The Sales and Use Tax rate is increasing on April 1, 2009 by one percent. For Riverside County, this equates to an increase from 7.75% to 8.75%. According to the California Revenue and Taxation Code, the increase is applicable to sales on or after April 1. The new rate is being programmed by OASIS into the PeopleSoft system and will be the default rate as of April 1. The old rate will still be available in the system in case departments have transactions which should use the old rate. OASIS will provide direction on how to choose the old rate. OASIS will be creating a job aid on the new tax codes and will present these at the Monthly Accounting Meeting (MAM) this week.

Please note, the defining factor in which rate to use is the word sale. This implies a transfer of ownership. Departments will need to carefully review the documentation relating to the purchase to determine when the county took ownership of the item. This will be important for the transition time around the increase in the rate.

For example, department A ordered an item in March. The item was shipped in March but the department did not receive it until April. Which rate does the department use? If the item was shipped stating that the title transferred at the shipping point, the County has ownership when the item was shipped (FOB Ship Point) and therefore, in this example would use the old rate. If the item was shipped stating the title transferred at the destination point (FOB Destination), in this example the county has ownership when we received it and therefore, in this example would pay the new, higher rate. This would be the case in most County purchases as our default terms are FOB Destination.

This rate change has an effect on both the purchase order side and the voucher side. For the buyers choosing the correct rate at the time the purchase order is set up will help the matching process when the invoice arrives. Buyers should be aware that more complicated issues can arise with fixed price contracts and progress based contracts. Therefore, if you have these types of contracts you are encouraged to contact Purchasing to ensure the sales tax is appropriately handled. For fixed price contracts entered into before April 1, 2009, the sales tax will most likely remain at the old rate until the end of the contract. For progress based contracts where the item will be delivered after April 1, 2009 buy payments began before April 1, the new sales tax rate should apply to the payments made before the rate change as well. Again, please consult with County Purchasing on these.

For vouchers, the rate chosen by the processor should match the rate used on the invoice. If an invoice arrives in April for a March purchase, the rate should be the old rate and therefore will need to be changed from the default to the old rate. Please review the job aid from OASIS on how to proceed with making this change. If you have an invoice for an April purchase and the vendor uses the old rate, the County should still pay the correct amount of tax even though technically it is the vendor's responsibility. To do this, you would use the old rate so that the invoice matches and then you would also pay the additional one percent as use tax.

If you have additional questions, please contact the Accounts Payable section of the ACO or County Purchasing.