

## Benefits of Program

- *Your liability in terms of allocation errors from 3<sup>rd</sup> Party vendors is reduced*
- *You enhance City revenue without increasing additional tax liabilities*
- *You are compensated for undertaking the allocation process*
- *Provides you the additional opportunity to publically recognize the important contributions that you make to our community.*



City of San Jose  
Office of Economic Development  
200 E. Santa Clara Street, 17<sup>th</sup> Floor  
San Jose, CA 95113  
Address Correction Required



## Business Cooperation Program

City of San Jose



Capital of Silicon Valley

Phone: 408-535-8178  
Web site: [www.sjeconomy.com](http://www.sjeconomy.com)



## What is the Business Cooperation Program

The Business Cooperation Program is an effort where the City and you work together for mutual benefit in allocating use tax dollars back to the City of San Jose. In exchange for undertaking the tax liability and reporting to the State of California, the City of San Jose will reimburse you a portion of the local tax that was collected.

This program results in:

- Your tax liability in terms of allocation errors from 3<sup>rd</sup> Party vendors being reduced
- You enhance City revenue without increasing additional tax liabilities
- Provides you the additional opportunity to publically recognize the important contributions that you make to our community.



## Process

Firms making purchases of equipment, materials and fixtures from out of state will remit use tax to the State of California through either a:

- Direct Pay Permit
- Sub Seller's Permit

Firms designate "San Jose" as the first function use of the equipment. The City will reimburse you for the administrative burden of monitoring and allocating the tax.

### Business Cooperation Example

Purchase Price of Widget	\$5,000,000
Santa Clara Co. Tax Rate	8.25%
Total Tax Collected by Buyer	\$412,500
Use Tax Rec'd by SBOE	\$412,500
State of CA Portion 6.25%	\$312,500
County/VTA Portion 1%	\$ 50,000
City of San Jose Portion 1%	\$ 50,000
<b>You are Reimbursed 20%</b>	<b>\$ 10,000</b>
Resulting San Jose Share	\$ 40,000

## FAQ

*Is this Common in other communities?*

Yes, the CA State Board of Equalization has provided the two avenues, Sub-Sellers Permit and Direct Pay Permit to allocate use tax to communities.

*Is there a cost?*

There is no cost to obtain a Direct Pay Permit. There is also no cost to acquire a sub seller's permit.

*Do I pay more tax?*

No. You will not pay any more tax than you would normally. The difference is you accrue the liability and remit the tax instead of having a reseller accrue and remit the tax.

## Getting Started

Getting started with the Business Cooperation Program is simple as 1-2-3.

1. **Contact the Office of Economic Development (OED) regarding your interest in the Program BEFORE you make specific purchases of equipment or machinery.**
2. The City will determine if your particular purchase is subject to use tax and works within the State approved allocation process
3. The City will assist you with either acquiring a sub sellers permits or direct pay permit

Once a sub sellers permit or direct pay permit is in place, you are now ready to accrue and remit the appropriate tax liability.

## Claims Process

Participating companies in the Business Cooperation Program will request in writing 45 days after the close of the reporting quarter a claim for rebate to the City. City staff will verify the claim to ensure the California State Board of Equalization has received the use tax allocation. Upon verification, the City will process the appropriate rebate for the participating company as outlined below.

Net New Use Tax Received by the City of San Jose	Rebate Percentage
Tier 1: 0-\$200,000	20%
Tier 2: \$200,001-\$500,000	25%
Tier 3: \$500,001 and greater	30%

If the total allocation for four consecutive quarters exceeds Tier one or Tier two, there will be a one time true up payment in the fourth quarter from the City at the next higher Tier. However, if a firm over four consecutive quarters does not exceed Tier one threshold, they receive the minimum 20%.

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