

**Regulation 1699.5.** (Continued)

**(f) PREPAYMENTS.** A holder of a direct payment permit shall make prepayments of the tax liabilities assumed in accordance with this regulation as prescribed in Section 6471 of the Revenue and Taxation Code. The prepayments shall be made as prescribed in Section 6472 of the Revenue and Taxation Code, except that the due dates of these prepayments shall be five days earlier than the due dates prescribed in that section. These prepayments shall be made separately from any prepayments of the person's own sales and use tax liabilities.

**(g) ALLOCATION OF LOCAL TAX.** Every holder of a direct payment permit must include with each direct payment tax return a schedule approved by the board allocating all local sales and use taxes and district transactions and use taxes to the cities, counties, redevelopment agencies, and districts to which the tax would have been allocated if it had been reported and paid by the retailers involved. The allocation shall be based on the place of sale as provided in Regulation 1802 and Regulation 1822. The board may require that the schedule be provided on computer tape in a format prescribed by the Board. If the local and district taxes are misallocated due to negligence or intentional disregard of the law, a penalty of 10 percent of the amount misallocated may be imposed.

**(h) EXEMPTION CERTIFICATES.** A holder of a direct payment permit may issue a direct payment exemption certificate to any retailer. The certificate shall be in substantially the following form and shall be valid only with respect to the calendar year for which it is issued.

**DIRECT PAYMENT EXEMPTION CERTIFICATE**

\_\_\_\_\_  
(Name of Purchaser)

\_\_\_\_\_  
(Address of Purchaser)

I certify that I hold direct payment permit No. \_\_\_\_\_  
issued pursuant to the California Sales and Use Tax Law and that I am authorized to report and pay directly to the State the applicable sales or use tax with respect to the property described herein which I shall purchase from

\_\_\_\_\_ during the calendar year \_\_\_\_\_. In the event that I fail to timely report and pay the applicable tax to the State, I understand that in addition to the tax liability, I will be subject to applicable interest and penalties. Description of property to be purchased: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
(Signature of Purchaser or Agent)

\_\_\_\_\_  
(Title)

**(i) (1) EFFECT OF CERTIFICATE.** A party who issues a direct payment exemption certificate to a retailer shall be liable for the tax with respect to sales made pursuant to the certificate in the same manner as if the party were the retailer making the sale. The liability assumed by issuing the certificate must be included on the return filed for the period in which the sale was made rather than on the return for the period in which the property was used by the purchaser. The party who issued the exemption certificate is liable for the tax on the sale even if the property is lost, destroyed, removed from this state, or otherwise never used or consumed in this state.

(2) A direct payment exemption certificate shall not be substituted for a resale certificate because the tax consequences are different. Resale certificates shall only be issued with respect to property which the purchaser intends to resell and direct payment exemption certificates shall be issued only for property purchased for use or other consumption.

(3) A retailer who timely takes a direct payment exemption certificate in good faith from a person who holds a direct payment permit is relieved from liability for the sales tax and responsibility for collecting the use tax with respect to retail sales to the person who issued the certificate during the period covered by the certificate. A certificate will be considered timely if it is given at any time before the seller bills the purchaser for the property, or at any time within the seller's normal billing and payment cycle, or at any time at or prior to delivery of the property