

Business Use Tax: Should My Business Pay Use Tax on Out-of-State Purchases?

What is the Massachusetts use tax?

The use tax is a 6.25 percent tax paid on out-of-state or out-of-country purchases that are used, stored or consumed in Massachusetts and on which no Massachusetts sales/use tax was paid. Unlike the 6.25 percent sales tax, which is collected by merchants, use tax is paid directly to the state by the purchaser.

When must my business pay use tax?

If no Massachusetts sales/use tax was paid at the time of purchase, then a use tax is due when taxable goods such as office supplies, furniture, fixtures and equipment are purchased for business use in Massachusetts:

- over the Internet;
- from an out-of-state vendor;
- from an out-of-country vendor; or
- from a mail-order catalog.

When is use tax not due?

A use tax is not due when:

- Goods are purchased for resale within the normal course of business;
- Goods are purchased for use as an ingredient or component part of an article of tangible personal property produced for sale;
- Machinery and equipment are purchased for use in manufacturing operations; or
- Sales or use tax has been paid to another state or U.S. territory on tangible personal property to be used in Massachusetts. A credit of up to the 6.25 percent Massachusetts sales/use tax rate is generally allowed against sales tax correctly paid to another state.

Note: No credit is allowed for a value-added tax (VAT) paid to another country, or for a local tax paid to any city, town or county.

How do I report and pay business use tax?

If you are a registered sales tax vendor, you must report and pay use tax on your monthly, quarterly or annual sales tax return whether filed electronically or on paper. If you are not a registered sales tax vendor, you must report and pay use tax with Form ST-10, Business Use Tax Return. Form ST-10 is due on or before April 15 for purchases made in the prior calendar year. You may file Form ST-10 online through WebFile for Business at mass.gov/webfile.

What else should I know about use tax?

- Massachusetts presumes that any tangible personal property purchased outside of Massachusetts and brought into the state within six months is for use, storage or consumption and is subject to the use tax. This presumption may be challenged by the purchaser. After six months, the Department of Revenue may assert that a purchase is subject to use tax if it was always intended for use, storage or consumption in Massachusetts.
- Schedule C filers may not report use tax on business purchases together with their individual use tax on Form 1, Form 1-NR/PY or Form ST-11.
- If use tax is due on a motor vehicle or trailer purchased out of state or through a non-dealer sale, the tax must be paid to the Registry of Motor Vehicles or on Form ST-7R. Use tax on boats, recreation or snow vehicles must be reported on Form ST-6 online through WebFile for Income at mass.gov/webfile.
- For more information, see *A Guide to Sales and Use Tax* or MGL Ch. 64H and MGL Ch. 64I.

