



SPECIAL NOTICE

CALIFORNIA DEPARTMENT
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711

New Operative Date of April 25, 2019, for District Use Tax Collection Requirement Based on \$500,000 Sales Threshold

The California Legislature recently passed Senate Bill (SB) 92 (Stats. 2019, ch. 34), which changes the operative date of the new district use tax collection requirement based on a \$500,000 sales threshold from April 1, 2019 to April 25, 2019. As explained in our prior Special Notice [L-632](#)¹, under the new law, all retailers are required to collect and remit the district use tax on all sales made for delivery in any district that imposes a district tax if, during the preceding or current calendar year the total combined sales of tangible personal property in this state or for delivery in this state by the retailer and all persons related to the retailer exceed \$500,000.

Assembly Bill (AB) 147 (Stats. 2019, ch. 5) established the new district use tax collection requirement with an operative date of April 1, 2019, and was signed into law on April 25, 2019. Changing the operative date to April 25, 2019, therefore, eliminates the retroactive effect of AB 147 with regard to the new district use tax collection requirement.

Please note that SB 92 does not change the operative date of the new **state** use tax collection requirement based on \$500,000 in combined sales for delivery in California. The operative date of the new state use tax collection requirement is still April 1, 2019.

What are district taxes?

District taxes are voter-approved transactions (sales) and use taxes imposed by cities, counties, and other local jurisdictions. The current statewide California sales and use tax rate is 7.25 percent. In areas where a district tax is imposed (taxing district), the total tax rate includes the statewide rate plus the district tax rate(s).

Who is responsible for paying the district tax?

District **sales** taxes are due from retailers on their sales of tangible personal property and district **use** taxes are due from purchasers for their use of tangible personal property in a taxing district. However, a retailer that is “engaged in business” in a taxing district is generally required to collect the district’s use tax and pay it to the California Department of Tax and Fee Administration (CDTFA) on sales of tangible personal property delivered in the district. For more information on being engaged in business in a district, see [publication 44](#)², *District Taxes (Sales and Use Taxes)*.

New operative date for new district use tax collection requirement

If you exceeded the \$500,000 district use tax collection sales threshold in calendar year 2018 or during the period from January 1, 2019, through April 24, 2019, then starting on April 25, 2019, you were considered engaged in business in every district imposing a district tax and are required to collect, report, and pay the district use tax to the CDTFA on all sales

¹ www.cdtfa.ca.gov/formspubs/l632.pdf

² www.cdtfa.ca.gov/formspubs/pub44.pdf

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made for delivery in those districts. You are not responsible for collecting, reporting, and paying the district use tax to the CDTFA on sales made for delivery in a taxing district prior to April 25, 2019, unless you were otherwise engaged in business in that district. However, if you have already collected district use tax from your customers on sales made prior to April 25, 2019, either at the time of the sale or at a later date, you must report and pay the collected tax amounts to the CDTFA on your sales and use tax return.

If you are otherwise engaged in business in a district, your responsibility to collect and pay the district use tax is not affected by the new collection requirement or the change in operative date, and you should continue to collect, report, and pay the district tax on all sales made for delivery into that district(s).

Tax rates in California

You may find the tax rates for each district on our website at www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.htm. This webpage also includes a look-up tool, [Find A Sales and Use Tax Rate by Address](#), located under the *Current Tax Rates* section.

For more information

See our online guide, [Use Tax Collection Requirements Based on Sales Into California Due to the Wayfair Decision](#) on our website at www.cdtfa.ca.gov/industry/wayfair.htm and go to the *General Info and Collection Requirements* tab and scroll down to the *Collection of District Use Tax* topic. You may also call our Customer Service Center at 1-800-400-7115 (TTY:711). Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.