



New Online System is Live!

Our new Online Services System went live on May 7, 2018. For those of you who will be filing for the first time (for example, our calendar year filers using our new system) you will need to reregister with us to allow for your security code to be mailed to your physical address. Your current username and password will not work in the new system. Until your new registration is complete, you will be able to utilize your Express Login Code (now referred to as Limited Access Code) to file and perform basic online functions. You can obtain your Limited Access Code by reviewing your previous correspondence, or by calling our Customer Service Center at 1-800-400-7115 (TTY:711).

Although you can file your sales and use tax return and make payments using your Limited Access Code, we encourage you to sign up for a username and password. With a username and password you will have access to additional online services. From our [homepage](#), click on the *Login* button at the top right; click *View Accounts*; then under *Create a Username*, click *Sign Up Now*.

Additional Special Tax and Fee Programs Transition to Our New Online System

We are expanding our new online system to more taxpayers and fee payers.

In summer 2019, our new system will incorporate the following tax and fee programs:

- Alcoholic Beverage Tax
- Cigarette and Tobacco Products Tax
- Cigarette and Tobacco Licensing (Distributors, Manufacturers, Wholesalers)
- Fuel Taxes (Aircraft Jet Fuel, Diesel Fuel, including Interstate User Diesel Fuel Tax, International Fuel Tax Agreement (IFTA), Motor Vehicle Fuel, and Use Fuel)
- Oil Spill Response, Prevention & Administration Fees
- Timber Yield Tax
- Underground Storage Tank Maintenance Fee

Additional tax and fee programs will be moved into the new system in 2020.

Currently in the new system, taxpayers and fee payers can file, pay, and maintain their accounts for the following programs: Sales and Use Tax, California Tire Fee, Electronic Waste (eWaste) Recycling Fee, and Cigarette Retailer License Fee.

For more information on the project, visit us at www.cdtfa.ca.gov/services/cros.htm.

Taxpayer Rights

The California Taxpayers' Bill of Rights ensures that the rights of California taxpayers are protected during the assessment and collection of both Sales and Use Tax, and Special Tax and Fee programs. The Taxpayers' Rights Advocate (TRA) Office assists taxpayers and fee payers when they are unable to resolve a matter through the normal channels, when they seek information regarding procedures relating to a particular set of circumstances, or when there are apparent rights violations in the audit or collection of taxes or fees.

This past fiscal year, the California Department of Tax and Fee Administration (CDTFA) made significant improvements to programs that are part of the Taxpayers' Bill of Rights. The TRA Office also discovered many opportunities for additional enhancements to CDTFA services. The *Taxpayers' Rights Advocate 2017-18 Annual Report*, highlighting the accomplishments of the TRA Office, describing TRA's involvement in important new projects and current issues, and highlighting examples of the services the TRA Office provides is available at www.cdtfa.ca.gov/tra.

For more information, see [publication 70](#), *Understanding Your Rights as a California Taxpayer*. You may also call the Taxpayers' Rights Advocate Office if you have questions about your rights, or if you have not been able to resolve a problem through normal channels. The Advocate Office can be reached toll-free at 1-888-324-2798 or by visiting www.cdtfa.ca.gov/tra.

Sales and Purchases for Resale

As a seller of tangible personal property, when you buy items for your business from any retailer, including big box retailers like Sam's Club and Costco, it is important to segregate the purchases you plan to resell in your business from those that are for business use or for personal use. When you purchase items that you will not resell in your business, such as a TV for home or business use, or janitorial supplies to clean your business facility or home, you must pay tax on the purchase of these items because they were not purchased for resale.

If you are engaged in the business of selling tangible personal property, you may issue a resale certificate to the seller when you purchase items that you will resell in the regular course of your business operations. A [CDTFA-230](#), *General Resale Certificate*, can be issued to retailers when purchasing goods you will resell.

Generally, you may issue a resale certificate when:

- Purchasing finished items for resale,
- Buying materials that will become a physical part of an item that will be held for resale, or
- Purchasing items solely for demonstration or display while holding them for sale in the regular course of business operations.

You generally may not issue a resale certificate when buying a product that you will:

- Use rather than sell,
- Use in your business before you sell it,
- Use for a personal purpose, or
- Hold as an investment for appreciation in value and for sale in the future.

If you knowingly issue a resale certificate when purchasing items that you will not resell, you will owe:

- The amount of tax that would be due had the certificate not been used, and
- Interest on the tax due (computed from the time the item was purchased).

In addition, you could have your seller's permit revoked and be required to pay a penalty of ten (10) percent of the tax or \$500, whichever is greater, for each purchase made for personal gain or to evade payment of tax.

A person may be found guilty of a misdemeanor if they know at the time of purchase that they will not resell the purchased item prior to any use and they give a completed resale certificate to the seller for the purpose of evading payment of tax to the seller. Each offense is punishable by a fine of not less than \$1,000 and not more than \$5,000, imprisonment not exceeding one year, or both fine and imprisonment.

If you paid sales tax to your supplier for items purchased for business or personal use, but resold the items before any taxable use, you can take a deduction on your tax return when you report the sale. You may deduct the amount paid before sales or use tax was added, under *Cost of Tax-Paid Purchases Resold Prior to Use* on your sales and use tax return.

For more information on purchases and sales for resale, please see publication 103, *Sales for Resale*, on our website at www.cdtfa.ca.gov/formspubs/pub103/.



New Legislation for Cannabis Businesses

The Governor signed Assembly Bill (AB) 1741 (Stats. 2018, Ch. 228) on August 28, 2018. Effective immediately, if the CDTFA determines that it is necessary to facilitate tax collection, this bill allows a person licensed to engage in commercial cannabis activity that was previously required to remit sales and use taxes and cannabis taxes by Electronic Funds Transfer (EFT) to remit taxable amounts due by means other than EFT. For more information on payment by means other than EFT, please contact one of our [offices](#). For office locations, see our website at www.cdtfa.ca.gov.

Cigarette and Tobacco Products Distributors May Not Hold a Wholesaler License

A person who holds a cigarette and tobacco products distributor license, may not hold a cigarette and tobacco products wholesaler license.

Revenue and Taxation Code (R&TC) defines a “Wholesaler” to include any person, other than a licensed distributor, who engages in this state in making sales for resale of tax-paid (stamped) cigarettes and/or tax-paid tobacco products ([R&TC section 30016](#)). Accordingly, a licensed distributor, by definition, is not a wholesaler, and thus, may not also hold a wholesaler license. Therefore, a distributor may not register for or renew a wholesaler license, and a wholesaler may not register for or renew a distributor license.

For more information, see our Special Notice, *Cigarette and Tobacco Products Distributors May Not Hold a Wholesaler License*, at www.cdtfa.ca.gov/formspubs/l573.pdf.

Cigarette and Tobacco Products Consumers – You May Owe Taxes

If you purchase cigarettes or tobacco products for your own use from outside the state without paying both California cigarette and tobacco products taxes and California use tax, you are required to file a return and pay the cigarette and tobacco products taxes and use tax directly to the CDTFA. This includes products shipped into California that were purchased through the mail, by telephone, or online. You will not owe the cigarette taxes if you personally bring less than 400 cigarettes (two cartons) into California, but you will still owe the use tax.

File a return and pay online

To pay taxes on purchases of cigarettes and/or tobacco products, please see our website at <https://onlineservices.cdtfa.ca.gov>. Under the heading *Limited Access Functions*, choose *File a Return*, then click on *Cigarette & Tobacco Internet Purchases Return*. Follow the prompts to file your return and pay your taxes.

If you already have a cigarette and tobacco products internet purchaser account with the CDTFA, please log in to file your return and pay online at <https://onlineservices.cdtfa.ca.gov>. Use either your new username and password or your Limited Access Code (previously referred to as Express Login Code) and account number to file online in our new online filing system.

For information about how to set up your new username and password, see *Changes to Online Services Effective May 7, 2018*, on our website at www.cdtfa.ca.gov/formspubs/L-556.pdf.

Please update your contact information

To receive reminders to file and other updates, and to ensure your security code for our new online system is mailed to the correct address, please update your email and physical address with us at STFRegUpdates@cdtfa.ca.gov.

Out-of-State Cigarette and Tobacco Products Sellers May Not Hold a Wholesaler License

Revenue and Taxation Code (R&TC) defines “Wholesaler” to include any person, other than a licensed distributor, who engages in this state in making sales for resale of tax-paid (stamped) cigarettes and/or tax-paid tobacco products ([R&TC section 30016](#)). Accordingly, a person making sales at an out-of-state location is not a wholesaler since they are engaged outside of California in making sales. Therefore, an out-of-state person may not be licensed as a wholesaler.



You are responsible for obtaining and maintaining the proper license(s) at each location where you are engaged in the sale of cigarettes and tobacco products in California. You may obtain a distributor license to make sales from an out-of-state location to California licensees. Please see our [Tax Guide for Cigarette and Tobacco Products](#) webpage to learn more about the tax program, licensing, and reporting requirements.

Cannabis Tax Updates

The CDTFA determined the mark-up rate to be used to calculate the average market price of cannabis or cannabis products sold in an arm's length transaction will continue to be set at 60 percent. The CDTFA is responsible for determining the mark-up rate on a biannual basis in six-month intervals. We will notify you in a Special Notice if the markup rate changes. For the current cannabis tax rates, see our *Special Taxes and Fees Rate* webpage under *Cannabis Taxes* on our website at www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm.

For More Information

All telephone numbers are toll-free.

Internet

www.cdtfa.ca.gov

www.taxes.ca.gov

Customer Service Center

1-800-400-7115

(TTY:711)

Seller's Permit Verification

1-888-225-5263

www.cdtfa.ca.gov

Taxpayers' Rights Advocate

1-888-324-2798

www.cdtfa.ca.gov/tra

Tax Evasion Hotline

1-888-334-3300

State Legislation

<https://leginfo.legislature.ca.gov/>

More Articles Available Online

There are occasions when we have more articles than we have space for in this print version of the *Tax Information Bulletin*.

The additional articles are available online at

www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm.

California Department of Tax and Fee Administration

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Sacramento, CA 94279-0001

**New and Revised Publications January 2018 through June 2018**

Number	Revised Publications	Date
8	California Private Railroad Car Tax Law	1-18
18	Nonprofit Organizations	4-18
22	Dining and Beverage Industry	3-18
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41A	Taxes and Fees Administered by the California Department of Tax and Fee Administration	1-18
44	District Taxes (Sales and Use Taxes)	4-18
50A	Introduction to the International Fuel Tax Agreement	1-18
52	Vehicles and Vessels: Use Tax	6-18
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76	Audits	4-18
84	Do You Need a California Fuel Permit or License?	2-18
86	California Timber Yield Tax	3-18
87	Guide to the California Timber Yield Tax	3-18
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96	Biodiesel and California Tax	3-18
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160	Where to File California and Federal Investigative Complaints	1-18
170	Striking Gold in California	1-18
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329	California Industry Insight	3-18, 6-18
388	Tax Information Bulletin	3-18, 6-18
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557	Tax Help for the Cannabis Industry	2-18

Number	Translated Publications	Date
50A-S	Introduction to the International Fuel Tax Agreement (Spanish)	1-18
439S	Online Services (Spanish)	2-18