



# NEWS FOR TAX PRACTITIONERS

WHAT YOU NEED TO KNOW TO HELP YOUR CLIENTS SUCCESSFULLY OPERATE THEIR BUSINESSES

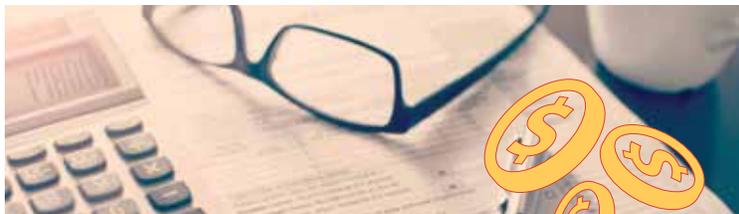
This semiannual newsletter helps you stay current on the latest developments regarding the taxes and fees administered by the California Department of Tax and Fee Administration (CDTFA) and other taxes that affect your clients' businesses. This newsletter is intended to help you advise your clients, and to help you prepare their returns more accurately and effectively.

## Our Online Services Portal

We released our new online services portal for sales and use tax and related programs on May 7 of this year. As a tax professional, you can request access to your client's account(s) by signing up for a new username and password and choosing the *Request Access to an Account* link after signing in. See the Special Notice *Third Party Access to New Online Services* at [www.cdtfa.ca.gov/formspubs/L-557.pdf](http://www.cdtfa.ca.gov/formspubs/L-557.pdf) for more information. You can file and pay on behalf of your client without a username and password by choosing from the links at the bottom of the login page and using the Limited Access Code (formerly Express Login Code) or identification number and account number.

In spring 2019, we will add 12 additional tax and fee programs into the new system, including Alcoholic Beverage Taxes, Fuel Taxes, and Cigarette and Tobacco Products Taxes. The remaining tax and fee programs we administer will transition to our new online services portal in spring 2020.

During the transition, our website directs you to the correct login page based on the account type. For more information, visit us at [www.cdtfa.ca.gov/services](http://www.cdtfa.ca.gov/services). To participate in a focus group and help us improve our new online services, please contact us at [cros@cdtfa.ca.gov](mailto:cros@cdtfa.ca.gov) with your name, phone number, and account type(s) you file for.



## District Tax Rate Changes

The existing Napa County half percent tax expired and a new one became operative July 1, 2018, leaving the total tax rate for the county unchanged. Also, the existing Stanislaus County tax set to expire on June 30, 2018, was extended to June 30, 2030. You can view the notice to taxpayers about these changes at [www.cdtfa.ca.gov/formspubs/L553.pdf](http://www.cdtfa.ca.gov/formspubs/L553.pdf).

California voters approved several additional tax rate changes on the April and June ballots that will become operative October 1, 2018, for the cities of Chula Vista, Grass Valley, Huntington Park, Kingsburg, Santa Cruz, and the town of Corte Madera. You can find the details of these tax rate changes on our News webpage at [www.cdtfa.ca.gov/news](http://www.cdtfa.ca.gov/news), *Notices & Newsletters* tab, *Special Notices - 2018* section. All of the sales and use tax rates are located on our *California City & County Sales & Use Tax Rates* webpage at [www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.htm](http://www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.htm) (scroll down to "Download" to access the spreadsheet of the rates that will become operative October 1, 2018).

*Note: These rates will be available on our website in September.*



## Cannabis Tax Updates

The CDTFA recently determined the cannabis excise tax mark-up rate will continue to be 60 percent for the next six months beginning July 1, 2018. The CDTFA is responsible for determining a mark-up rate on a biannual basis in six-month intervals. The mark-up rate must be used by distributors to compute the average market price of cannabis or cannabis products sold or transferred to a retailer in an arm's length transaction. Current cannabis tax rates may be viewed by selecting *Cannabis Taxes* on our website at [www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm](http://www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm).

The CDTFA will be starting the informal rulemaking process soon. We will gather input and comments from the cannabis industry and other interested parties on the existing emergency regulations and other issues with respect to the cannabis taxes that may need further clarification. Information regarding the topics included in the informal rulemaking process will be posted on our *Business Taxes Committee Unit* page on our website at [www.cdtfa.ca.gov/taxes-and-fees/business-taxes-committee.htm](http://www.cdtfa.ca.gov/taxes-and-fees/business-taxes-committee.htm).

Our *Tax Guide for Cannabis Businesses* has also been updated with a new "Tax Facts" tab that addresses specific issues that your clients in the cannabis industry may be facing, and a new "Videos" tab that includes an instructional video on how you or your clients must complete and file the cannabis tax return. The CDTFA is continually updating the guide as more information becomes available. Please check our *Tax Guide for Cannabis Businesses* located on our website at [www.cdtfa.ca.gov/industry/cannabis.htm](http://www.cdtfa.ca.gov/industry/cannabis.htm).

To ensure you receive the latest Tax Facts, along with special notices on cannabis tax compliance and related issues, news releases, and proposed regulatory changes, please sign up for the CDTFA Cannabis Outreach email at [www.cdtfa.ca.gov/subscribe](http://www.cdtfa.ca.gov/subscribe).



## Sales Made on State-Designated Fairgrounds

Retailers who make sales of tangible personal property that take place on the real property of a state-designated fair ("state-designated fairground") must now separately state the amount of those sales on their sales and use tax return. This requirement began July 1, 2018 (see [Assembly Bill 1499](#) at [www.leginfo.ca.gov](http://www.leginfo.ca.gov)).

The separately reported amount will be used for funding allocation purposes only (there is no additional tax or fee due on these sales or purchases), and must include sales that take place at any time and at any event on the state-designated fairground, not just during an actual fair. Sales that take place on state-designated fairgrounds include over-the-counter sales on the fairgrounds and also may include sales in which the property is shipped or delivered to or from the fairground.

The online and paper returns for periods starting on or after July 1, 2018, will include an additional line to report sales that take place on a state-designated fairground. If your client makes these types of sales, they should continue to report the amounts from these transactions as they currently do, and in addition, report them on the new line for fairground sales. Reporting an amount on this line does not change the way any other part of the return is completed. Online return filers will be asked whether they made any sales of tangible personal property on a state-designated fairground. If they select:

- **Yes.** They will be taken to the next screen to enter the amount of sales of tangible personal property they made on a state-designated fairground. Instructions and a link to a complete list of state-designated fairgrounds will be provided on this screen to assist in completing this field. After this amount is entered, the filer will then proceed to the next screen to complete all other areas of their return.
- **No.** They will proceed to the next screen to complete all other areas of their return as they did prior to this new requirement.

For more information on the new reporting requirement and to see a list of the fairgrounds in this state, please see *Tax Guide for Reporting Requirements for Sales on State-Designated Fairgrounds* at [www.cdtfa.ca.gov/industry/state-fairgrounds.htm](http://www.cdtfa.ca.gov/industry/state-fairgrounds.htm).

## Voluntary Disclosure Program for Unregistered Retailers

The CDTFA wants you to know that if your client is an out-of-state retailer that is responsible for collecting use tax on sales to California customers, but has not yet registered with us, we offer an incentive program for your client to come forward and register. If a retailer qualifies under our Voluntary Disclosure Program, they may receive the following benefits:

- Limit the time the CDTFA can make an assessment for prior taxes from eight years to three years.
- Allow the CDTFA to waive late filing or late payment penalties.

To qualify for the Voluntary Disclosure Program, a retailer must meet all of the following five conditions:

- Be located outside of California and have not previously registered with the CDTFA.
- Be engaged in business in California as defined in Revenue and Taxation Code [section 6203](#).
- Register voluntarily with the CDTFA.
- Have not been previously contacted by the CDTFA or its agents regarding activities in California.
- Failure to pay the tax or file a return was due to reasonable cause and not due to negligence or intentional disregard of the law.

To find out more about this program and how to apply, visit our *Out-of-State Voluntary Disclosure Program* webpage at [www.cdtfa.ca.gov/taxes-and-fees/out-of-state.htm](http://www.cdtfa.ca.gov/taxes-and-fees/out-of-state.htm).



## Retention Period for Electronic Logging Device Records

If your clients intend to file an exemption claim for interstate or foreign commerce, please encourage them to keep their electronic logging device (ELD) records for a minimum of eight years. The U.S. Department of Transportation (DOT) now requires interstate motor carriers and truck drivers to use ELDs to keep driving records in lieu of paper logs, and they only require these ELD records be retained for six months, effective January 1, 2018. These ELD records may be used to help support your client's purchase of a truck or trailer that may be exempt from use tax because it was used primarily in interstate or foreign commerce. It is important that your clients have adequate documentation supporting their exemption claim and that they keep these ELD records for a minimum of eight years as the CDTFA may have, under certain circumstances, up to eight years to determine whether their truck or trailer was actually purchased for use in interstate or foreign commerce.

For additional information on the interstate or foreign commerce exemption requirements, please read our *Tax Guide for Purchasers of Vehicles, Vessels, & Aircraft* on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov) (select *Forms and Publications*, then choose *Industry & Tax and Fee Guides*, and *Vehicles, Vessels & Aircraft*). For information on the electronic logging device requirement, go to the Federal Motor Carrier Safety Administration's website at [www.fmcsa.dot.gov](http://www.fmcsa.dot.gov) and search for *electronic logging devices*.



## Cigarette and Tobacco Products License Required for Retailers of Electronic Nicotine Delivery Systems

Electronic cigarettes, personal vaporizers, eCigars, eHookah, ePipes, and vaping devices, are some of the terms used to describe electronic nicotine delivery systems (ENDS). Generally, these ENDS heat a liquid solution or “eLiquid,” which typically, but not always, contains nicotine as well as varying flavorings and other ingredients, to create a vapor that the user inhales. The ENDS that do not contain nicotine, or are not sold in a kit that contains nicotine, are considered tobacco products for retail licensing purposes, but not for tax purposes. Thus, the sale of ENDS that do not contain nicotine or are not sold with nicotine are not subject to the California excise tax on tobacco products. However, a California Cigarette and Tobacco Products Retailer’s License is required if your client sells ENDS that do not contain nicotine or are not sold with nicotine to a consumer in California. A distributor or wholesaler does not need to be licensed under the California Cigarette and Tobacco Products Licensing Act of 2003 to sell ENDS that do not contain nicotine or are not sold with nicotine to a retailer. To learn more, see our *Tax Guide for Cigarette and Tobacco Products* at

[www.cdtfa.ca.gov/industry/cigarette-and-tobacco-products.htm](http://www.cdtfa.ca.gov/industry/cigarette-and-tobacco-products.htm).

**Note:** The California Cigarette and Tobacco Products Licensing Act does not apply to cannabis or other cannabis products, such as cannabis vape pens.

## Don’t Forget to Report Use Tax on Your Income Tax Return

The majority of households in California likely owe at least a small amount of use tax for purchases made throughout the year from catalogs or online businesses located outside the state that did not collect California sales tax. If this is true for any of your clients, remember to report those purchases and pay any use tax due on their income tax return. Find more information about use tax online at [www.cdtfa.ca.gov/taxes-and-fees/use-tax.htm](http://www.cdtfa.ca.gov/taxes-and-fees/use-tax.htm).



## Lead-Acid Battery Fees

If your client sells replacement lead-acid batteries in California, they may need to register for a California battery fee account. View our *Tax Guide for Lead-Acid Battery Fees* at [www.cdtfa.ca.gov/industry/lead-acid-battery-fees.htm](http://www.cdtfa.ca.gov/industry/lead-acid-battery-fees.htm) for more information about the fee and how to register. Regulations for the Lead-Acid Battery Recycling Act of 2016 are currently in progress. Updates on the regulations will be posted to our website at [www.cdtfa.ca.gov/taxes-and-fees/regscont.htm](http://www.cdtfa.ca.gov/taxes-and-fees/regscont.htm) as they become available.

