



Relief and Extensions for Filing Returns

Effective December 15, 2020, Governor Newsom issued an executive order providing a three-month extension on tax returns and tax payments for small businesses. For taxpayers reporting less than \$1 million in tax, the deadlines for returns and payments due from December 15, 2020, through April 30, 2021, are extended by three months. Taxpayers reporting less than \$1 million in tax on a return originally due within this time frame are not required to seek an extension or request relief from interest from the California Department of Tax and Fee Administration (CDTFA); relief will be provided automatically. Interest and penalties will not accrue on return amounts due for these taxpayers, provided payments are made and returns are filed within three months of the original due date.

Requests for Relief for Larger Taxpayers

Taxpayers with a liability of \$1 million or greater must request an extension and request relief from interest if they are unable to file and pay by the due date. These requests are evaluated on a case-by-case basis and taxpayers will be notified if their requests have been approved or denied.

Small Business Relief Payment Plans for Sales and Use Tax

The CDTFA is offering a 12-month, interest-free, payment plan for small businesses with less than \$5 million in annual taxable sales. This payment plan is limited to sales and use tax account and is available for up to \$50,000 in tax liability for returns with original due dates between December 15, 2020, and April 30, 2021. All payment plans must be paid in full by April 30, 2022, to qualify for zero interest.

For more information on tax relief for businesses impacted by COVID-19, please visit our COVID-19 State of Emergency page at www.cdtfa.ca.gov/services/covid19.htm.

CDTFA Live Chat Service

We are now offering a Live Chat service to customers needing quick answers to their general sales and use tax questions. The type of chat requests received from customers range from general questions regarding CDTFA's tax and fee programs to requests for assistance with our Online Services. You can initiate a Live Chat session with a customer service representative Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. Please visit our website at www.cdtfa.ca.gov and click on the *chat icon* located on the lower right corner of the homepage. The Live Chat feature is also accessible from the *How to Contact Us* page at www.cdtfa.ca.gov/contact.htm.

When you click on the *chat icon*, a disclaimer is displayed along with entry fields for your name and email address. If you agree to the disclaimer, check the box for *I agree*, provide your name and email address, and click the *Start the chat* button. You will be connected to a CDTFA customer service representative.

Sign Up Now for Online Services

We are pleased to announce our online services system has expanded to include all the tax and fee programs we administer. For a list of tax and fee programs that were transitioned on November 9, 2020, please see special notice, *Our New Online Services System Expands to Include All Tax and Fee Programs* at www.cdtfa.ca.gov/formspubs/l744.pdf.

If you've already created a username and password for the new online services system, no additional action is required. If you haven't, we encourage you to *sign up now*, at onlineservices.cdtfa.ca.gov/_/, so you can access your account(s), file returns/reports and make payments in the new online system. Your username and password gives you valuable access to perform many account activities online, such as managing multiple accounts, requesting relief of penalties and interest, requesting filing extensions, saving banking information, updating account information, viewing return and payment history, and receiving alerts and correspondence.

If you need assistance with creating a username and password, please see our *Video Tutorials* page at www.cdtfa.ca.gov/services/#loggingToggle, or contact our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

Volunteer Fire Departments

[Senate Bill 598](#) (Stats. 2015, ch 248) designated, effective until January 1, 2021, all-volunteer fire departments (VFDs) as consumers, rather than retailers, of tangible personal property they sell when the profits are used to further the VFD's purposes. Recently enacted legislation, [Senate Bill 38](#), extends the consumer designation until January 1, 2026.

In order to qualify, a VFD must:

- Have no members that are paid a regular salary, but members may be compensated on an hourly or per incident basis;
- Be operating to protect the lives, property, and environment within a designated geographical area from fire, disasters, and emergency incidents;
- Be regularly organized for volunteer fire department purposes;
- Qualify as a tax-exempt nonprofit organization; and
- Have gross receipts of no more than \$100,000 in each of the two prior calendar years from the sale of tangible personal property.

For more information, please see our special notice, *Consumer Designation for Qualified All-Volunteer Fire Departments is Extended through January 1, 2026* at <https://www.cdtfa.ca.gov/formspubs/L790.pdf>.

Sales and Use Tax Exemption for Trucks Used Out-of-State or in Interstate or Foreign Commerce to Include International Registration Plan Registration

Operative January 1, 2020, [Assembly Bill 321](#) (Stats. 2019, ch. 226), amended [Revenue and Taxation Code \(R&TC\) section 6388.5](#) to also apply to certain new, used, and remanufactured trucks. The exemption applies to trucks delivered in California to both California residents and nonresidents that are removed from the state within a specified time, and afterwards, exclusively used out-of-state or in interstate or foreign commerce. On September 30, 2020, [Senate Bill \(SB\) 1473](#) (Stats. 2020, ch. 371), was enacted which amended R&TC 6388.5 to

clarify that purchasers of new, used, or remanufactured trucks registered under the International Registration Plan (IRP) may submit written evidence of the purchaser's United States Department of Transportation Number or United Carrier Registration System filing in lieu of written evidence of out-of-state license and registration.

For more information, please see our special notice, *Sales and Use Tax Exemption for Trucks Used Out-of-State or in Interstate or Foreign Commerce to Include International Registration Plan Registered Vehicles* at www.cdtfa.ca.gov/formspubs/l788.pdf.

Appealing a Notice of Determination

When you receive a *Notice of Determination* (NOD) and do not agree with the billed amount, you have 30 days from the date of the NOD to file a *Petition for Redetermination* (Petition). If you received a *Jeopardy Notice of Determination*, however, you only have 10 days from the date of the notice to file the Petition with a deposit of security in the amount specified in the notice.

You may file your Petition through your online service account on the CDTFA website at www.cdtfa.ca.gov. Alternatively, you may either use CDTFA-416, *Petition for Redetermination*, or draft your own Petition in the form of a letter which must be in writing and include:

- The tax or fee program account number of the NOD you wish to protest;
- The amount(s) you wish to dispute;
- The specific reason(s) why you believe you do not owe the tax or fee; and
- Your signature or the signature of your designated representative who has power of attorney.

If you desire to have an appeals conference or wish to be considered for settlement, you must indicate that in the Petition.

If you are not filing the Petition through your online portal account with the CDTFA, you can email your sales and use tax to BTFDPetSection@cdtfa.ca.gov, fax it to 1-916-324-0678, or mail it to:

Petitions Section, MIC:38
California Department of Tax and Fee Administration
PO Box 942879
Sacramento, CA 94279-0038

Special tax and fee Petitions may be emailed to adab@cdtfa.ca.gov, fax to 1-916-323-9497, or mailed to:

Appeals and Data Analysis Branch
California Department of Tax and Fee Administration
PO Box 942879
Sacramento, CA 94279-0033

Once we receive your Petition, we will send you a letter confirming receipt. We will review your Petition, along with any supporting documents submitted, and inform you of our conclusion or it may be forwarded to your local office for further review. If you disagree with the conclusion, you may continue your Petition through the Appeals Bureau.

If you missed the deadline to file a Petition, the liability becomes final and collection action will begin. At this point, you will need to pay the liability in full and file a claim for refund to dispute the liability. In some cases, a late-filed Petition may be accepted as an administrative protest. If we grant an administrative protest,

collection activities will continue but we will review your appeal in the same general manner as a timely filed Petition. To learn more about the appeals process, please review publication 17, *Appeals Procedures Sales and Use Taxes and Special Taxes and Fees* at www.cdtfa.ca.gov/formspubs/pub17.pdf.

Cannabis Rates

Due to new legislation, [Assembly Bill 1872](#) (Stats, 2020, ch. 93), the cannabis excise tax mark-up rate and the cultivation tax rates will remain the same on January 1, 2021, as outlined below.

Cannabis Excise Tax Mark-Up Rate

- The cannabis excise tax mark-up rate used by distributors to compute the average market price of cannabis or cannabis products sold or transferred to a cannabis retailer in an arm's length transaction will remain at 80 percent for the period of January 1, 2021, through June 30, 2021.

Cultivation Tax Rates

- The 2020 calendar year cultivation tax rates will remain in effect for the 2021 calendar year.
 - The CDTFA will adjust the cultivation tax rates annually for inflation beginning with the 2022 calendar year.

Please see our special notice, *Cannabis Rates to Remain the Same Beginning January 1, 2021*, at www.cdtfa.ca.gov/formspubs/L786.pdf for more information regarding the cannabis rates. For current and prior excise tax mark-up rates and cultivation tax rates, please visit our *Tax Rates – Special Taxes and Fees* page under *Cannabis Taxes* section at www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm/cannabis%20taxes#cannabis.

Losses Due to Theft

If a cannabis business is the victim of theft, the cannabis excise and cultivation taxes may or may not be due, as discussed below.

Cannabis Excise Tax

The cannabis excise tax is not due on cannabis or cannabis products (cannabis) stolen and never sold at retail. If a cannabis retailer paid the cannabis excise tax to its distributor and the associated cannabis is subsequently stolen from the cannabis retailer, that retailer may request a refund from its distributor for the cannabis excise tax paid on stolen cannabis. The distributor is required to provide the retailer with a receipt or similar document that indicates the amount of cannabis excise tax refunded. The distributor may then request a refund from us or claim a credit on its next tax return, for the cannabis excise tax paid to the CDTFA and subsequently refunded to its retailers. Both the retailer and the distributor must keep documentation supporting any loss due to theft, such as a police report and/or insurance claim.

Cannabis Cultivation Tax

Cannabis enters the commercial market when it passes the required testing and quality assurance review. The cultivation tax is due on cannabis that enters the commercial market even if the cannabis is subsequently lost due to theft. However, the cultivation tax is not due on cannabis stolen *before* it enters the commercial market. If the cultivation tax was collected on cannabis that never entered the commercial market, the cultivation tax must be returned to the originating cultivator. If the cultivation tax cannot be returned to the cultivator, the cultivation tax must be reported and paid to the CDTFA.

For more information regarding loss due to the theft of cannabis, including documentation requirements and sales and use tax information, please view the *Losses Due to Theft* section under the *Retailers* tab and *Distributors* tab in our *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm.

Withdrawal of Special Notice L-698, Clarifying the Wholesale Cost Basis for Out-of-State Licensed Tobacco Products Distributors Effective October 1, 2019

Earlier this year, we withdrew our August 2019 special notice, *Clarifying the Wholesale Cost Basis for Out-of-State Licensed Tobacco Products Distributors Effective October 1, 2019*. An out-of-state licensed distributor may file a claim for refund for tax overpaid based on special notice L-698. For more information, please see our special notice, *Effective Immediately Withdrawal of Special Notice L-698 Clarifying the Wholesale Cost Basis for Out-of-State Licensed Tobacco Products Distributors Effective October 1, 2019*, at www.cdtfa.ca.gov/formspubs/l778.pdf.

For more information about cigarette and tobacco products tax, licensing, and reporting requirements, see our *Tax Guide for Cigarettes and Tobacco Products* at www.cdtfa.ca.gov/industry/cigarette-and-tobacco-products.htm.

This article supersedes the information contained in the article titled Clarifying the Wholesale Cost Basis of Tobacco Products for Out-of-State Licensed Tobacco Products Distributors in Certain Transactions, published in the December 2019 edition of the Special Taxes and Fees Newsletter.

Marlboro iQOS HeatSticks are Cigarettes Effective June 30, 2020

Marlboro iQOS HeatSticks (HeatSticks) are cigarettes under [Revenue and Taxation Code \(R&TC\) section 30003](#), and, as such, shall be taxed and stamped as cigarettes in California. On June 30, 2020, HeatSticks were added to the [California Tobacco Directory](#), which is published on the Office of Attorney General's website. All cigarettes and roll-your-own tobacco products and their manufacturers must be included on the California Tobacco Directory before such products may be lawfully distributed, sold, offered for sale, or possessed for sale in this state ([R&TC section 30165.1\(e\)](#)).

HeatSticks are rolls of tobacco wrapped in paper. HeatSticks qualify as cigarettes since HeatSticks:

1. Come in a roll for smoking,
2. Are made in whole or part of tobacco, and
3. The roll has a wrapper or cover that is not made mostly of tobacco.

For more information about cigarette and tobacco products tax, licensing, and reporting requirements, please see our *Tax Guide for Cigarette and Tobacco Products* at www.cdtfa.ca.gov/industry/cigarette-and-tobacco-products.htm.

Retailers of Trailers are Required to Collect the California Tire Fee

Retailers of any type of new or used trailer (for example, auto, horse, boat, equipment, fifth wheel, and travel trailers) that is towed on a highway or road are required to collect the tire fee on all new tires (including the spare tire), included with the sale of the trailer to the retail customer. Also, sales of new tires that are sold to retail customers as replacement tires for trailers are subject to the tire fee.

For information about the California Tire Fee and how to register for a tire fee account, please see publication 91, *California Tire Fee* at www.cdtfa.ca.gov/formspubs/pub91.pdf, and our *California Tire Fee Guide* at www.cdtfa.ca.gov/taxes-and-fees/ca-tire-fee.htm.

Emergency Telephone Users (911) Surcharge Annual Rate Setting and Extension of Local Charges

911 Surcharge Rate

The Governor's Office of Emergency Services (Cal OES) has determined the Emergency Telephone Users (911) Surcharge rate will remain at 30 cents for the period of January 1, 2021, through December 31, 2021.

The 911 Surcharge is collected by sellers and service suppliers as follows:

- Sellers of prepaid mobile telephony services (MTS) will collect the 911 Surcharge on each *purchase* of prepaid MTS for each retail transaction in California.
- Service suppliers will collect the 911 Surcharge on each *access line* for each month or partial month a service user subscribes to for use in California.

Extension of Local Charges

On September 25, 2020, Governor Newsom signed [Senate Bill 1441](#) (Stats. 2020, ch. 179), which extends a seller's requirement to collect applicable local charges until December 31, 2025. Sellers of prepaid MTS making sales to California purchasers, either online or at a retail location, must continue to collect applicable local charges if in the prior calendar year their sales of prepaid MTS were \$15,000 or more.

Please view our [Tax Guide for Sellers of Prepaid Mobile Telephony Services and Telecommunication Service Suppliers](#) for more information about the 911 Surcharge and how local charges apply. Please also see our special notice, *Collection of Local Charges Extended through December 31, 2025*, at www.cdtfa.ca.gov/formspubs/L784.pdf.

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
(CRS: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.

New and Revised Publications Available Online

For new and revised publications, see our website at www.cdtfa.ca.gov/formspubs/pubs.htm.

Thank you for connecting with us.

