



CDTFA
CALIFORNIA DEPARTMENT OF
TAX AND FEE ADMINISTRATION

Closing Out Your Account

Preface

As a retailer, you registered for permits, licenses, and accounts when you started your business. It is equally important that you request the California Department of Tax and Fee Administration (CDTFA) close out your permits, licenses, and accounts when any one of the following occurs:

- You are no longer actively engaged in business.
- You no longer sell prepaid mobile telephony services.
- You qualify as a small seller of prepaid mobile telephony services, and you decide not to voluntarily collect the local charge from your customers on and after January 1, 2017.
- You sell your business or stock of goods to someone else.
- You change the type or form of ownership for your business (for example, from a sole proprietorship to a corporation or partnership).
- You add a new partner or a partner leaves the business, and your partnership agreement calls for dissolution of the partnership and the formation of a new partnership when a change in partners occurs.

If you do not notify us of these changes, we may hold you liable as a predecessor for taxes, fees, surcharges, assessments, interest, and penalties incurred by a successor entity even though you no longer own or operate the business.

This publication covers the following topics related to closing out your accounts:

- Notifying us
- Filing your final returns
- Sales after closing out your sales and use tax accounts
- Successor's liability and tax and fee clearances
- Changes in ownership

If you have questions that are not answered in this publication, please visit www.cdtfa.ca.gov or call our Customer Service Center at 1-800-400-7115 (TTY:711). Customer service representatives are available to assist you Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.

We welcome your suggestions for improving this or any other publication. If you would like to comment, please provide your comments or suggestions directly to:

Audit and Information Section, MIC:44
California Department of Tax and Fee Administration
PO Box 942879
Sacramento, CA 94279-0044

Please note: This publication summarizes the law and applicable regulations in effect when the publication was written, as noted on the back cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between this publication and the law, we will make decisions based on the law and not on this publication.

Notifying CDTF

If you sell your business, change partners, or close out your business, you should let us know. We may need the following information before we can close out your account:

- The date you stopped being actively engaged in business.
- Your reason for not being actively engaged in business.
- The names of any partners who have dissociated from or have been added to the partnership, with effective dates.
- The means you used to dispose of your resale inventory, furniture, fixtures, and equipment. (If you sold any of these items, you must disclose the selling price. If you sold your entire business, a portion of your business, or all or substantially all of your resale inventory, you need to provide the selling price, the name of the buyer, and a copy of the bill of sale or purchase agreement with the purchase price.)
- The purchase price of retained inventory.
- Your current address, telephone number, and email address.
- The address where you retain your books and records.
- Your business website address, if available.

You can use our [Online Services](#) to close your accounts. If you do not have access to Online Services, you can complete [CDTFA-65, Notice of Closeout](#), and return it to the address provided on the form. One of our team members may contact you for additional information after reviewing the form. Once we finish the review, we will close your accounts.

You must also file your final return and any prior returns which you have not yet filed and make payments for any amounts still owed. To expedite the closeout of your accounts, you should file these returns using our Online Services and pay any taxes, fees, surcharges, assessments, penalties, and interest due. We recommend you pay using certified funds. If you pay by personal check, we will request a copy of the canceled check before releasing security or providing a tax and fee clearance. If you are required to make Electronic Funds Transfer (EFT) payments for your accounts, you must also use EFT to make final payments on the accounts.

After you have paid your entire liability (including liabilities resulting from an audit), we will return any security you have on deposit.

Please note: Even after providing all required information and closing your account, you must keep your business records for four years.

Filing your final returns

Even though you have closed out your sales and use tax account, you must still report your sales up to the closeout date. This includes any sales of furniture, fixtures, or equipment that occurred as part of the closure or sale of your business. You must also report and pay tax on any inventory you retain for your own use that you purchased without payment of any taxes.

To help expedite the closeout, you should separately report and identify the sale of fixtures and equipment and retained inventory on your final sales and use tax return.

Sales of inventory to another retailer or to the purchaser of your business for resale are not taxable and should be reported as *Sales to other retailers for purposes of resale* on your sales and use tax return. You should obtain a resale certificate from the buyer and save it with your records.

Normally, you may file your final sales and use tax return on its regular monthly or quarterly due date. However, if you report annually, you must file the final return by the due date of the quarterly return of the quarter in which you close out your account.

Closing out your accounts and filing your final returns does not relieve you of any unpaid taxes, fees, or surcharges, whether reported or unreported. You are required to pay all liabilities incurred for the period you were actively engaged in business.

If the business is a corporation, partnership, limited partnership, limited liability partnership, or limited liability company that sold tangible personal property and collected sales tax reimbursement, whether separately itemized or included in the selling price, or owes use tax, corporate officers or other people may be held personally responsible for unpaid liabilities in accordance with Revenue and Taxation Code (R&TC) [section 6829](#) and [Regulation 1702.5, Responsible Person Liability](#). Please refer to R&TC [section 34015.2](#) regarding personal liability for cannabis tax.

If you think you may have difficulty paying the amount due, you should contact the local office handling your account.

Taxable sales after closing out your sales and use tax account

Before requesting to close your account, you should be certain you will not make additional taxable sales. If you make additional taxable sales after the account is closed, as a retailer, you still owe taxes on the transactions. In this case, you must notify us, and we will instruct you on how to report the taxable transactions.

In certain cases, a single sale of fixtures and equipment which occurs after closeout can also be taxable. A retail sale which occurs within 60 days of closeout is normally considered taxable unless you can prove that the sale was not contemplated at the closeout date. A sale that occurs after 60 days, but within one year of closeout, is taxable if any of the following are true:

- There was a contract of sale at the closeout date.
- A lease with an option to buy existed at the closeout date.
- There is evidence that a plan existed to sell the fixtures and equipment in due course.

If you have not been engaged in a business that requires a seller's permit for one year since closeout of your account and you make three or more sales of tangible personal property (merchandise) in any 12-month period, your sales may be taxable. Additionally, you may be required to register with us again and report the sales tax.

Sales of business assets—Fixtures, equipment, and inventory

In California, retail sales of merchandise, including business assets, are generally subject to tax unless exempted or excluded by statute. Under the occasional sales exemption (R&TC [section 6367](#) and [Regulation 1595, Occasional Sales—Sale of a Business—Business Reorganization](#)), tax does not apply to the sale of business assets that are held or used in the course of an activity not requiring you to hold a seller's permit, unless the asset sale is one of a series of sales sufficient in number, scope, and character to require you to hold a seller's permit. Generally, if you make three or more sales of merchandise, at retail or for resale, within a 12-month period, you will be required to register for a seller's permit and report applicable tax. If you sell your merchandise only through auctions, or if you, as an individual who is not a licensed dealer, sell only the vehicles you own, you may not be required to have a permit. See Regulation 1595 for more information.

Example:

If you operate a service-based business that does not require a seller's permit and you sold several business assets on various dates (for example, 2/23/2020, 8/16/2020, 1/8/2021, and 2/8/2021), the first two sales may be considered occasional sales and exempt from the sales tax. Since the third sale is within a 12-month period that starts with the first sale, you will likely be required to hold a seller's permit and report tax on the third and fourth sales unless the transactions are otherwise exempt by statute.

In California, if you are engaged in the business of selling merchandise that would be subject to tax when sold at retail, you must obtain a seller's permit ([Regulation 1699, Permits](#)) along with necessary special tax and fee accounts. You are required to obtain a permit even if you sell only at wholesale. When a business holds a seller's permit or is required to hold a seller's permit, sales of its fixtures and equipment are generally taxable.

Sales of Inventory for Resale

If you sold assets, such as inventory, to a third party that purchased the inventory for resale and the purchaser provided you with a valid resale certificate in a timely manner, then the transaction is a sale for resale and not subject to tax ([Regulation 1668, Sales For Resale](#)).

Service Businesses That Only Make Incidental Sales of Tangible Personal Property

If you are predominantly a service-based business that holds a seller's permit for your incidental sales of merchandise and you sold business assets to a third party, tax generally only applies to the sales of the business assets that were held or used in the retail portion of the business (that is, the part of the business that required you to obtain a seller's permit).

For example, a barber shop's primary activity is performing a non-taxable service (cutting hair). If a business, like a barber shop, also engages in a selling activity (such as selling hair care products) which requires the barber shop to hold a seller's permit, only the sale of business assets held or used in the activity requiring the seller's permit (selling hair products) is taxable. So, a seller of a barber shop would owe tax on sales of assets held or used for making retail sales of hair care products, such as display cases, shelves, computers, cash registers, and any other similar assets. However, tax would generally not apply to sales of business assets held or used for hair-cutting services such as trimmers and blow dryers.

If you are not required to hold a seller's permit, the sale of your business assets are not subject to tax unless the sale is one in a series of sales requiring you to hold a seller's permit, as discussed above.

Determining the Value of Fixtures and Equipment (F&E)

When you, the seller, have agreed with the buyer on a specific price for the sale of taxable fixtures and equipment (F&E), then that specific price should be used to determine the taxable amount reported on your sales and use tax return. In instances where there is a bulk sale of a business and the parties have not agreed to a specific price for the taxable F&E, the parties have implicitly agreed to buy and sell the F&E at its current value. In this case, to determine the sales price of taxable F&E, you should use the book value. If the book value is not available, you can use the appraised value for property tax purposes or value determined by an independent appraisal.

Successor's liability and tax and fee clearance

If you are buying a business, you need to be aware of successor's liability. The buyer of a business or stock of goods can be held personally liable for the outstanding liabilities of the seller. For more information, see R&TC [section 55191](#) or [Regulation 1702, Successor's Liability](#).

Generally, the buyer of a business or stock of goods must withhold a sufficient amount from the purchase price to cover the seller's outstanding liability taxes, fees, surcharges, and assessments (taxes), including interest and penalties, if any. If sufficient funds are not withheld, the buyer may be held personally liable for the amount that should have been withheld up to the purchase price of the business or stock of goods.

The buyer will be released from their obligation to withhold the purchase price if they obtain a *Certificate of Payment* from us stating that no taxes, including interest or penalties, are due from the seller.

You, as a buyer, can expedite the clearance process by promptly submitting a tax and fee clearance request, or if you are buying a business through an escrow company, you should ensure that the escrow company requests the certificate on your behalf. To complete the tax and fee clearance request online, go to our [Online Services](#), and then select *Request a Tax and Fee Clearance*. Alternatively, you can submit a written request for a tax and fee clearance from your local [CDTFA office](#).

In your written request for a tax and fee clearance, include the following information:

- The name, address, telephone number, and email address of the purchaser.
- The name, address, telephone number, and email address of the seller.
- The business address. List every location you are purchasing. If you are purchasing all locations of the business, simply note that in the request instead of listing every address.
- A copy of the bill of sale or purchase agreement with the purchase price.
- The name of the escrow company and escrow number, if applicable.
- The date the business was purchased.

Please note:

- If you need a tax and fee clearance to complete the sale of a business, it can take 60 days or more to obtain a clearance, especially if an audit is required and the seller's books and records are not immediately available for review.
- The successor's liability does not replace the seller's primary liability for unpaid taxes, including interest and penalties. We will generally only try to collect from a successor if we are unable to do so from the seller.

Once we determine that the seller owes an amount, we will notify the escrow company and advise them to withhold the amount (plus sales tax due on the sale of any furniture, fixtures, and equipment) from the purchase price to cover the liability. This can reduce the amount of money the seller receives from the escrow company for the sale of the business.

Changes in ownership

If you plan to change the ownership of your business or have already done so, you should contact our Customer Service Center or your local [CDTFA office](#). If you do not notify us of a change in ownership, you may be liable for the taxes owed by the new owners.

If you continue to operate your business but change its form of ownership, you must obtain a new account. An account is only valid for the business entity (such as a sole proprietorship, partnership, corporation, limited liability company, or joint venture) in whose name it was issued, and certain changes in ownership will invalidate it. For example, a new account is required when:

- A partnership adds or drops a partner, and the partnership agreement requires that a new partnership be formed.
- There is a change in marital status for a married co-ownership.
- There is a change in the status of a registered domestic partnership.
- Your business converts from one type of organization (such as those named above) to another type of organization.
- A corporate reorganization or merger results in a new corporation.

Since some changes in ownership might also include taxable transfers of merchandise, we recommend you contact us before making the change. We can review the planned change and inform you if the transfers of merchandise are subject to tax and if you will need a new account.

For More Information

For additional information or assistance, please take advantage of the resources listed below.

CUSTOMER SERVICE CENTER 1-800-400-7115 (TTY:711)

Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays. In addition to English, assistance is available in other languages.

OFFICES

Please visit our website at www.cdtfa.ca.gov/office-locations.htm for a complete listing of our office locations.

INTERNET

www.cdtfa.ca.gov

You can visit our website for additional information—such as laws, regulations, forms, publications, industry guides, and policy manuals—that will help you understand how the law applies to your business.

You can also verify seller's permit numbers on our website (see [Verify a Permit, License, or Account](#)).

Multilingual versions of publications are available on our website at www.cdtfa.ca.gov/formspubs/all-forms-and-publications.htm.

Another good resource—especially for starting businesses—is the California Tax Service Center at www.taxes.ca.gov.

TAX INFORMATION BULLETIN

The quarterly *Tax Information Bulletin* (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current TIBs on our website at www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm. Sign up for our [CDTFA Updates](#) email list and receive notification when the latest issue of the TIB has been posted to our website.

FREE CLASSES AND SEMINARS

We offer free [online basic sales and use tax classes](#) including a tutorial on how to file your tax returns. Some classes are offered in multiple languages. If you would like further information on specific classes, please call your local office.

WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

For written advice on general tax and fee information, please visit our website at www.cdtfa.ca.gov/email to email your request.

You may also send your request in a letter. For general sales and use tax information, including the California Lumber Products Assessment or Prepaid Mobile Telephony Services (MTS) Surcharge, send your request to: Audit and Information Section, MIC:44, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0044.

For written advice on all other special tax and fee programs, send your request to: Program Administration Branch, MIC:31, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0031.

TAXPAYERS' RIGHTS ADVOCATE

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), see [publication 70, Understanding Your Rights as a California Taxpayer](#), or contact the [Taxpayers' Rights Advocate Office](#) for help at 1-888-324-2798. Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0070.

Regulations, forms, publications, and industry guides

Selected [forms and publications](#), [regulations](#), and [industry guides](#) that may interest you are listed below. [Multilingual versions](#) of certain publications are also available online.

Regulations

- [1595](#) *Occasional Sales—Sale of a Business—Business Reorganization*
- [1596](#) *Buildings and Other Property Affixed to Realty*
- [1668](#) *Sales for Resale*
- [1699](#) *Permits*
- [1702](#) *Successor's Liability*
- [1702.5](#) *Responsible Person Liability*

Forms

- [CDTFA-65](#) *Notice of Closeout*

NOTICE OF CLOSEOUT

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

INSTRUCTIONS: Please provide the following information to assist us in closing your account(s), releasing security, or issuing an escrow clearance. If you have a seller's permit, before completing this form, you should refer to a copy of the California Department of Tax and Fee Administration (CDTFA) publication 74, *Closing Out Your Account*. Publication 74 contains important information about closing out your permit. If you have any questions, please call our Customer Service Center at 1-800-400-7115 (CRS:711).

SECTION I: ACCOUNT INFORMATION

NAME		ACCOUNT NUMBER(S)
CURRENT ADDRESS (street address)		DAYTIME TELEPHONE NUMBER ()
CITY	STATE	ZIP CODE

SECTION II: CLOSEOUT INFORMATION (see back for instructions)

- Date business was closed _____
 - Did you make any purchases for your own use using your seller's permit? YES NO
If YES, did you pay tax on those purchases to: a. your vendor b. the CDTFA
 - If applicable, remaining inventory, purchases for resale, or purchases from out-of-state vendors without payment of tax were:
 a. Sold and Reported on Final Return b. Retained c. Included in an Audit d. Donated to _____
 e. Sold for Resale (Purchaser's Account Number: _____) f. Other _____
 - Do you have a prepaid Mobile Telephony Services (MTS) account? YES NO
a. Date you discontinued selling prepaid phone cards and/or services _____
b. If you qualify as a small seller, date you want your account closed out _____
 - Your forwarding address and telephone number _____

 - Location of your books and records _____
 - Was the business sold? YES NO
a. Date the business was sold _____
b. Total sales price \$ _____
c. Name, address, and telephone number of the **purchaser** _____

 - Did you sell the fixtures and equipment (F&E)? YES NO If no, proceed to line h.
e. Selling price of F&E \$ _____
f. Did the sale of F&E occur at the place of business that was sold? YES NO
g. If not, provide address for the place of business where the sale took place _____

- Note:* If you sold your fixtures and equipment, even if you did not sell your business, you must include the selling price of these items on your final return under "Purchases Subject to Use Tax".
- Escrow number _____
 - Name, address, and telephone number of escrow company _____

SECTION III: SIGNATURE

SIGNATURE	PRINT NAME AND TITLE	DATE
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NOTICE OF CLOSEOUT

SECTION IV: LIST OF ITEMS NEEDED FOR CLOSEOUTS

The following items may be needed to finalize the closing of your account(s), the releasing of any posted security, or issuing of an escrow clearance.

- Payments of any other outstanding balances due.
- Your final tax return with payment (if a return is not available, call 1-800-400-7115 [CRS:711]). Payment of any amounts due must be made in certified funds in order to expedite finalizing your transaction. If you are required to make payments by Electronic Funds Transfer (EFT), you must also make your final payment through the EFT process.
- A copy of your escrow instructions or bill of sale showing the value of inventory, fixtures, and equipment sold.

Send this completed form and your supporting documents to:

**California Department of Tax and Fee Administration
Customer Service Center
PO Box 942879
Sacramento, CA 94279-0090**

SECTION V: INSTRUCTIONS

If the items listed below do not pertain to your closeout and you have completed Sections I and II, and signed in Section III, send this document to the appropriate CDTFA office. See publication 74 for a list of CDTFA office locations.

Small Sellers—A “small seller” is a prepaid MTS seller (other than a telecommunication service supplier) who made less than the annual threshold of sales of prepaid MTS in the previous calendar year. Beginning January 1, 2017, small sellers are no longer required to charge and collect the prepaid MTS surcharge from their customers. For sellers that have more than one location, the sales of prepaid wireless services and products from all locations must be used to determine their annual sales. Small sellers are responsible for maintaining records to show that their annual sales are below the annual threshold.

Location of your books and records—The location of your books and records is important for audit purposes. Audits are important because they protect the state against an underpayment and protect the taxpayer against an overpayment.

Copy of your escrow instructions or bill of sale—These documents show the value of inventory, fixtures, and equipment sold. If a sale of fixtures and equipment is not considered at the date of closeout, a subsequent single sale of the fixtures may be treated as an occasional sale. The single sale of fixtures and equipment subsequent to the date of closeout is taxable if either:

1. The sale occurs within 60 days of the date of closeout and the taxpayer cannot establish that the sale was not contemplated at the time of closeout; or
2. The sale takes place after 60 days and within one year of the closeout date, and:
 - a. A contract of sale existed at the date of closeout, or
 - b. A lease with an option to buy exists, or
 - c. Arrangements have been made for a plan to sell the fixtures and equipment in due course.

If these items are not provided, the CDTFA must wait 30 days before refunding any security deposits posted and/or closing your account. If you need assistance in providing any of the items listed above, contact your nearest CDTFA office for detailed instructions.

FOR CDTFA USE ONLY			
Is registration information current?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	F&E? YES <input type="checkbox"/> NO <input type="checkbox"/>
Is a final return filed?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	Inventory? YES <input type="checkbox"/> NO <input type="checkbox"/>
Was a final return provided to taxpayer?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	Is the documentation attached? YES <input type="checkbox"/> NO <input type="checkbox"/>
Are there any delinquencies?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	Unapplied payment? YES <input type="checkbox"/> NO <input type="checkbox"/>

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MAILING ADDRESS: P.O. BOX 942879 • SACRAMENTO, CA 94279-0001**