



CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

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EDMUND G. BROWN JR.
Governor

MARYBEL BATJER
Secretary, Government Operations Agency

NICOLAS MADUROS
Director

February 27, 2018

VIA INTERNET

Dear Interested Party:

The Compliance Policy and Procedures Manual (CPPM) is a guide for the California Department of Tax and Fee Administration (CDTFA) staff in administering tax and fee programs. It is available to the public and can be accessed from the CDTFA web page at <http://www.cdtfa.ca.gov/taxes-and-fees/staxmanuals.htm>.

The Business Tax and Fee Division is proposing to revise CPPM Chapter 5, *Returns*. The revision material is provided on the following pages for the convenience of interested parties who may wish to submit comments or suggestions. Please feel free to publish this information on your website or otherwise distribute it to your association/members.

If you have any comments or suggestions related to the proposed CPPM revisions, you may contact the CDTFA at CPPMRev@cdtfa.ca.gov. Your comments or suggestions must be received by the CDTFA no later than **March 29, 2018**, in order to be considered by staff. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Trista Gonzalez".

Trista Gonzalez, Chief
Tax Policy Bureau
Business Tax and Fee Division

RETURNS

500.000

GENERAL STATEMENT ON RETURNS

505.000

WHO MUST FILE RETURNS

505.010

Various statutes in the Revenue and Taxation Code (RTC) require certain persons to file a return with the California Department of Tax and Fee Administration (CDTFA). Accordingly, each tax/feepayer that has an active account under any of the revenue laws administered by the CDTFA is required to file returns and pay amounts due at regular intervals as prescribed by law and required by the CDTFA. Unless returns are filed, the CDTFA remains uninformed as to the amount of tax/fee due. Generally, a return must be filed even though there may be no transactions to report or tax/fee to pay.

~~Under section 6452 of the Revenue and Taxation Code (RTC), every seller and every person liable for sales tax must file a return with the Board. In addition, every person who purchases tangible personal property that is subject to the use tax must file a return if he or she did not pay the use tax to a retailer required to collect the tax. RTC section 6453 requires sellers to show their gross receipts from retail sales on the returns or the total sales price of property subject to use tax. Purchasers must show the total sales price of the property purchased, the storage use, or consumption of which property became subject to use tax during the preceding reporting period. Accordingly, each taxpayer who has an active account under any of the revenue laws administered by the Board is required to file returns and pay amounts due at regular intervals as prescribed by law and required by the Board. Unless returns are filed, the Board remains uninformed as to the amount of tax due. A return must be filed even though there may be no transactions to report or tax to pay. In addition, sellers and purchasers not currently registered by the Board may be required to file returns if they make sales or untaxed purchases sufficient to qualify them as retailers or consumers.~~

RETURNS SUBJECT TO AUDIT VERIFICATION

505.020

All of the revenue laws administered by the ~~Board~~CDTFA provide for the self-assessment of taxes, fees, or assessments due, ~~there under~~. All of the returns on which the self-assessments are made are subject to verification by audit.

RETURN FILING

505.030

Filing a return is one of many online services available on the ~~BOE~~CDTFA website. Online filing is available for most ~~Sales and Use Tax (including TATs SR S, SR Y, SR X, SR Z and SC), Motor Fuels Tax, International Fuel Tax Agreement, and Cigarette Tax accounts.~~ tax and fee programs. ~~Most t~~ax/feepayers who file electronically ~~and~~ will not receive return forms in the mail. However, some tax/feepayers are ineligible to file electronically (CPPM section 505.032) and others are exempted (CPPM section 505.035). In addition, electronic filing is not available for some special taxes and fees programs. Although ~~BOE~~CDTFA may not provide paper returns to ~~most~~tax/feepayers who file online, paper returns received from tax/feepayers will continue to be accepted, with the following exceptions:

- Cannabis Taxes
- Lumber Products Assessment
- Prepaid Mobile Telephony Services Surcharge

- Lead-Acid Battery Fee

The law requires electronic filing for these programs. If staff receives a paper return from a tax/feepayer, staff must contact and inform the tax/feepayer that they must file the return online.

Information on Taxes, Assessments, and Fees that must be Reported Online

- **Cannabis Taxes** – Cannabis Distributors (CD accounts) electronically file their cannabis tax returns online, separate from returns filed for other CDTFA programs. The distributor reports the excise tax and cultivation tax on one return. The cultivation tax is imposed on cannabis that has “entered the commercial market,” which occurs when the cannabis and cannabis products have passed quality assurance review and testing. The distributor reports the cultivation tax on cannabis and cannabis products received for distribution during the reporting period. The excise tax is reported on an accrual basis when the sale or transfer from the distributor to the retailer occurs (generally, the invoice date of the transaction).
- **Lumber Products Assessment** – Generally, the lumber assessment is reported when taxpayers file their sales and use tax return and are prompted to complete the additional lumber schedule. However, taxpayers that are ineligible or exempt from electronically filing sales and use tax returns are still required to electronically file a “lumber only” return online, if applicable.
- **Prepaid Mobile Telephony Services Surcharge** – Direct sellers and non-exempt indirect sellers of prepaid wireless services and products must electronically file returns for the prepaid mobile telephony services surcharge online separate from returns filed for other CDTFA programs. TU accounts that report on behalf of another service provider may elect to electronically file a single return on behalf of multiple service providers by filing a billing aggregator schedule (CDTFA-507-TE) that identifies the total charges reported and total surcharge due on behalf of each service provider and their corresponding account number.
- **Lead-Acid Battery Fees** – Returns for the lead-acid battery fees are electronically filed online, separate from other CDTFA returns. When retailers of lead-acid batteries (BR accounts) report the number of replacement lead-acid batteries sold, they should exclude any batteries not subject to the fee. Manufacturers of replacement lead-acid batteries (BC accounts) should exclude any lead-acid batteries not subject to the fee when filing the return. For those BR returns where reimbursement is allowed for costs incurred to implement the fee, the amount is automatically calculated when the feepayer files the return.

Assessments and Fees Paid Directly to CDTFA

- **Lumber Products Assessment** – Consumers who purchased lumber or engineered wood products for use in this state who did not pay the assessment to a registered California retailer must report and pay the assessment directly to the CDTFA. The online registration system allows purchasers to report and pay the assessment, while also paying any applicable use tax, on a one-time

purchase of lumber or engineered wood products. Purchasers cannot report and pay the lumber products assessment on their California income tax return.

In addition, the Use Tax Administration Section (UTAS) creates accounts for new, one-time use tax liabilities established through their investigations. These accounts (SD) cannot be updated with the account characteristic code 39 (Lumber Product Assessments). When investigations disclose ex-tax purchases of lumber or engineered wood products subject to use tax, UTAS will instruct taxpayers to register and pay the lumber products assessment and the applicable use tax online.

- **Lead-Acid Battery Fee** - Consumers who purchased replacement lead-acid batteries for use in this state who did not pay the fee to a registered California retailer can pay the fee directly to the CDTFA by check. An arbitrary account is issued for the purchaser's payment of the battery fee. The online registration system does not allow purchasers to report and pay the California battery fee for the one-time purchase of a replacement lead-acid battery.

ONLINE RETURN FILING PROCEDURES

505.031

Tax/feepayers can file returns ~~electronically through the BOE online filing system.~~ BOE online using the CDTFA's website. The CDTFA does not charge a fee for online filing, and the online filing system is available daily except between the hours of 7:00 pm Sunday and 5:00 am Monday. Tax/feepayers can either log in as a registered user, or by using the Express Login feature. To create a User ID, the tax/feepayer will need the account number, express login code, and the tax/feepayer's full name as registered with the BOE CDTFA. Tax/feepayers who log in using the Express Login feature will only need their account number and the eight-character express login code. The express login code is provided to tax/feepayers at the time of registration and can be found on many BOE CDTFA correspondences and on the TAR AI screen in IRIS.

Tax/feepayers may also file a return electronically through a direct transmit service provider. Direct transmit service providers are third-party providers who have successfully completed BOE CDTFA acceptance testing and have been authorized to receive return and payment information from tax/feepayers and forward to the BOE CDTFA for processing. These third-party providers may not offer all of the same features as the BOE CDTFA online filing system. A list of certified direct transmit service providers is provided on the BOE CDTFA website. Tax/feepayers should be advised that BOE CDTFA staff does not provide support or assistance with direct transmit providers' websites.

The Direct Transmit Program uses Simple Object Access Protocol and Extensible Markup Language (XML) to allow tax/fee return data to be electronically transmitted directly to BOE CDTFA. Tax/feepayers transmitting returns on their own behalf (i.e. without using a registered provider) must submit a BOE CDTFA-400-XML, *Application for Direct Transmission of Tax Returns*, and successfully complete all applicable system testing to be certified as a Direct Transmitter. Testing and certification is done by the eServices Team. Detailed information is available to tax/feepayers on the BOE CDTFA website. Applications and inquiries may be submitted by email to eDirect@boecdfta.ca.gov.

CPPM Chapter 5, Returns

Returns that are filed using the [BOECDTFA](#) online filing system can be viewed, printed, and reprinted at a later date by tax/[feepayers](#) who are registered users. This is done by selecting “View History/ Status” after logging in. Tax/[feepayers](#) who filed returns using the Express Login feature will not be able to view or print previously filed returns until they have created a User ID and log in with their User ID and Password.

Tax/[feepayers](#) should also be made aware that failure to receive notification of a return due date from [BOECDTFA](#) does not relieve the tax/[feepayer](#) of the obligation to file a timely return. Tax/[feepayers](#) are responsible for filing within the time specified by law.