



Cannabis Taxes

Beginning January 1, 2023, the responsibility for reporting and paying the cannabis excise tax to CDTFA shifts from distributors to cannabis retailers.

Cannabis tax collection and payment responsibilities ending for distributors

Starting January 1, 2023, distributors, including microbusinesses that distribute cannabis or cannabis products, will no longer be responsible for collecting, reporting, and paying the cannabis excise tax to us for cannabis or cannabis products sold or transferred to cannabis retailers. Distributors will file their final cannabis tax return for the December 2022 reporting period by January 31, 2023.

New responsibilities for cannabis retailers beginning January 1, 2023

Beginning January 1, 2023, cannabis retailers, including microbusinesses that sell cannabis or cannabis products at retail, are responsible for registering with us for a cannabis retailer excise tax account. Starting January 1, 2023, cannabis retailers are also responsible for collecting the cannabis excise tax from their customers and reporting and paying the cannabis excise tax to us. In December 2022, we automatically registered cannabis retailers for cannabis retailer excise tax accounts based on their licensing information with the Department of Cannabis Control. Cannabis retailers who are not automatically registered should register with us through our [online services](#) beginning January 1, 2023.

For more information, please visit our online *Tax Guide for Cannabis Businesses*, at www.cdtfa.ca.gov/industry/cannabis.htm, and see our special notices:

- *Cannabis Tax Collection and Remittance Responsibilities for Distributors Ending*, at www.cdtfa.ca.gov/formspubs/L873.pdf
- *New Responsibilities for Cannabis Retailers Beginning January 1, 2023*, at www.cdtfa.ca.gov/formspubs/L874.pdf
- *Cannabis Excise Tax Changes Beginning January 1, 2023, and New Enforcement Provisions*, at www.cdtfa.ca.gov/formspubs/L866.pdf
- *Certain Cannabis Retailers May Apply to Retain Vendor Compensation*, at www.cdtfa.ca.gov/formspubs/L884.pdf

Additional Used Motor Vehicle Dealers are Required to Pay Tax to the Department of Motor Vehicles

Beginning January 1, 2023, certain used motor vehicle dealers (dealers) who are currently paying sales tax to CDTFA will be required to pay sales tax, including district taxes, on their retail sales of used motor vehicles directly to the Department of Motor Vehicles (DMV) when they submit a vehicle registration application. Dealers that made fewer than 300 retail vehicle sales in calendar year 2021 will receive a separate notice advising them of their tax payment requirement to DMV. All other used motor vehicle dealers will continue to remit sales tax directly to us until January 1, 2026, unless otherwise notified by DMV ([Senate Bill \[SB\] 1496](#) [Stats. 2022, ch. 474]).

For more information, please see our special notice, *Certain Used Motor Vehicle Dealers Required to Pay Tax to the Department of Motor Vehicles Beginning January 1, 2023*, at www.cdtfa.ca.gov/formspubs/L870.pdf.

Emergency Telephone Users Surcharge

New 988 surcharge

Starting January 1, 2023, service suppliers and sellers of prepaid mobile telephony are required to report a new 988 surcharge on their current *Emergency Telephone User Surcharge Return* or *Prepaid Mobile Telephony Services (MTS) Return*.

The 988 surcharge is imposed on each access line for each month or partial month for which a service user subscribes with a service supplier and on each retail purchase of prepaid MTS in California. The 988 surcharge is set at 8 cents (\$0.08) per access line or purchase of prepaid MTS for calendar years 2023 and 2024. Beginning on October 1, 2024, and each year thereafter, the California Governor's Office of Emergency Services (CalOES) will determine the surcharge rate for the following calendar year.

911 surcharge

The 911 surcharge rate will remain at 30 cents (\$0.30) for the calendar year 2023, according to CalOES. The rate is effective from January 1, 2023, through December 31, 2023.

For more information, please see special notice, *New 988 Surcharge and Rates for the 911 and 988 Surcharges Effective January 1, 2023*, at www.cdtfa.ca.gov/formspubs/L880.pdf, *Tax Guide for Sellers of Prepaid Mobile Telephony Services (MTS) and Telecommunication Service Suppliers*, at www.cdtfa.ca.gov/industry/seller-servicesupplier.htm, and [Assembly \(AB\) Bill 988](#) (Stats. 2022, ch. 747).

New Sales and Use Tax Rates Operative January 1, 2023

The tax rate changes for the City of Long Beach and City of Westminster, as provided below, apply only within the indicated city limits. The new tax rate and tax code are available to view and download as a spreadsheet on our webpage, [California City & County Sales & Use Tax Rates](#). Go to our website at [www.cdtfa.ca.gov](#), select [Tax and Fee Rates](#), then choose [Sales and Use Tax Rates](#) (scroll down to [Download](#) for the spreadsheet).

To find the specific tax rate for your area or business location on the CDTFA website, click on the [How Do I](#) pull-down menu, select the [Find Your Tax Rate](#) and then select the [Sales and Use Tax Rates](#). This will bring you to the [California City & County Sales & Use Tax Rates](#) webpage, where you can select [Find a Sales and Use Tax Rate by Address](#) under the [Current Tax Rates](#) section and then enter your address information. You can also go directly to the [Find a Sales and Use Tax Rate](#) map.

DISTRICT TAX CODE CHANGING				
Citywide	Prior Code	New Code	Prior Rate	New Rate
City of Long Beach (located in Los Angeles County) ¹	588	A08	10.250%	10.250%

DISTRICT TAX RATE DECREASING				
Citywide	Code	Prior Rate	New Rate	
City of Westminster (located in Orange County) ²	510	8.750%	7.750%	

¹ The existing city tax of 1.00 percent was scheduled to decrease to 0.50 percent. However, Measure A, approved by voters in the March 2020 election, decreases the city tax to 0.75 percent effective January 1, 2023. Although the city tax rate is decreasing by 0.25 percent, the combined city and county tax rate will remain the same due to Los Angeles County Measure H's 0.25 percent tax, which will take effect in Long Beach starting January 1, 2023. A new code is required.

² The existing city tax of 1.00 percent will expire December 31, 2022, decreasing the city tax rate by 1.00 percent.

Taxpayers' Rights Advocate Office Annual Report

The Taxpayers' Rights Advocate (TRA) Office produces an annual report regarding the role of the TRA Office and examples of the services that the Advocate Office provides to taxpayers. The *2021-2022 Taxpayers' Rights Advocate's Annual Report* will soon be available at [www.cdtfa.ca.gov/tra/annual-reports.htm](#) – please check back periodically for updates.

If you have questions about your rights or have been unable to resolve a problem through normal channels, please contact the TRA Office at 1-888-324-2798 or by visiting [www.cdtfa.ca.gov/tra](#).

New Billing Process for Delinquent Returns

In July 2022, we implemented a new automated billing process for taxpayers that do not file timely returns. You will receive a reminder to [file](#) before and after the due date of the return. The reminders may be in the form of an email, a notice, a text message, or a phone call. If you still do not file your return, you will receive a statement of the proposed amount to be billed before receiving a bill and then an actual bill for the amount we determine you owe.

You can file your return online at any time. If you cannot pay the amount due, you can request a [payment plan](#) using our [online services](#) after you log in with your username and password.

Online Filing Requirement for Alcoholic Beverage Taxpayers

Beginning January 1, 2023, alcoholic beverage returns and supplemental reports must be filed online (see [SB 518](#) [Stats. 2022, ch. 702]). If you already file online, no action is needed. If you are *not* already filing online and have *not* created a username and password in our online services system, a unique security code is required to complete this process. You may request your unique security code online by selecting [Sign Up Now](#), at [onlineservices.cdtfa.ca.gov](#), to begin the process. Please view our [video tutorials](#) online for assistance with creating a username and password (including requesting a security code) and filing online, or contact CDTFA at 1-800-400-7115 (CRS:711), then select the [Special Taxes and Fees](#) option. Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.

Disclosure of Information Contained on a Winegrower Return and Supplemental Report

Beginning January 1, 2023, any information, except the name and address of a person such as a sole proprietor or partnership, contained on winegrower returns and supplemental schedules filed on or after January 1, 2023, must be made public upon request (see [SB 518](#) [Stats. 2022, ch. 702]). Taxpayers may elect to prohibit the disclosure of their return and accompanying schedule information. The winegrower online return will be updated to include an option allowing you to keep your return and schedule information confidential.

Additional information can be found in our special notice available in the [Resource](#) section of our [Tax Guide for Alcoholic Beverage](#), at [www.cdtfa.ca.gov/taxes-and-fees/alcoholic-beverage-tax.htm](#). The guide will be updated as more information becomes available – please check back periodically for updates.

Partial Tax Exemption for Zero and Near-Zero Emission Vehicles

Beginning January 1, 2023, through December 31, 2027, a partial sales and use tax exemption applies to eligible purchases and leases by qualified buyers of zero and near-zero emission vehicles. Eligibility for the exemption is based on the buyer's household income level, where they live, and the vehicle they buy (see [SB 1382](#) [Stats. 2022, ch. 375]).

The Clean Cars 4 All programs are administered by the California Air Resources Board in association with local air districts. The programs are designed to give lower-income California drivers an incentive to replace older, higher-polluting vehicle with low-emission vehicles. The current programs provide grants to qualified buyers to use towards the purchase of an eligible vehicle. Eligibility requirements may vary by local air district. For a list of participating air districts, please visit the *CC4A Implementing Air Districts* webpage at ww2.arb.ca.gov/cc4a-implementing-air-districts.

For more information about this partial exemption, please see our special notice, *Partial Sales and Use Tax Exemption for Zero Emission Vehicles Effective January 1, 2023, through December 31, 2027*, at www.cdtfa.ca.gov/formspubs/L878.pdf, and our *Tax Guide for Motor Vehicle Dealers*, at www.cdtfa.ca.gov/industry/used-vehicle-dealers.htm#Overview.

Partial Tax Exemption for Zero-Emission Technology Transit Buses Extended

The partial sales and use tax exemption for eligible purchases and leases of hybrid and zero-emission technology buses by qualified purchasers was scheduled to expire on December 31, 2022, and has been extended through December 31, 2025 (see [AB 2622](#) [Stats. 2022, ch. 353]).

Qualifying purchasers generally include cities, counties, transportation or transit districts, and other public agencies that provide transit service to the public. To qualify for the partial exemption, the zero-emission technology transit bus must be eligible for the California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP).

For more information about this partial exemption, please see the subheading, *Sales of Zero-Emission Transit Buses to Qualifying Purchasers*, under the *Industry Topics* tab in our *Tax Guide for Motor Vehicle Dealers*, at www.cdtfa.ca.gov/industry/used-vehicle-dealers.htm#Zero-Emission-Transit-Bus-Sales.

Military Thrift Stores

The exemption from sales and use tax for tangible personal property sold by military welfare society thrift stores was scheduled to expire on December 31, 2023, but has been extended indefinitely. As a result of this exemption, tax does not apply to sales by a thrift store located on a military installation and operated by an entity, as defined, that partners with the United States Department of Defense to provide financial, educational, and other assistance to members of the Armed Forces of the United States, eligible family members, and survivors that are in need (see [SB 1041](#) [Stats. 2022, ch. 225]).

Marketplace Facilitator Act Update: Passenger Vehicle Rental Brokers

A marketplace facilitator is generally responsible for collecting, reporting, and paying the tax on retail sales made through their marketplace for delivery to California customers. Beginning January 1, 2023, vehicle rental brokers are not considered a marketplace facilitator when they facilitate, for a commission or fee, the rental of a passenger vehicle on their marketplace on behalf of another rental company that is not related to them. Therefore, vehicle rental brokers are not responsible for the tax on such rental of passenger vehicles made through their marketplace by another rental company.

For additional information, please see [SB 1312](#) (Stats. 2022, ch. 228) and our *Tax Guide for Marketplace Facilitator Act*, at www.cdtfa.ca.gov/industry/MPFAct.htm.

Exemption Threshold for Bulk Sales of Monetized Bullion, Nonmonetized Gold or Silver Bullion, and Numismatic Coins Increases to \$2,000

Starting January 1, 2023, a bulk sale occurs if the total market value of the monetized bullion, nonmonetized gold or silver bullion, and numismatic coins sold in a single transaction is \$2,000 or more. Such sales valued at less than \$2,000 will be subject to sales and use tax.

California law provides an exemption from sales and use tax for sales in bulk of monetized bullion, nonmonetized gold or silver bullion, and numismatic coins that are substantially equivalent to transactions in securities or commodities. A sale in bulk is deemed to have occurred if the amount sold exceeds the operative threshold amount. Each year, we are required to calculate what the operative threshold would be if adjusted for annual inflation. When the adjusted amount for inflation equals or exceeds the operative threshold by \$500, the operative threshold increases to the amount as adjusted for inflation. After this year's inflation adjustment, it was determined that the current \$1,500 threshold amount will increase to \$2,000 by operation of law.

For more information regarding exemptions of bulk transactions of coins and bullion, please see Regulation 1599, *Coins and Bullion*, at www.cdtfa.ca.gov/lawguides/vol1/sutr/1599.html. The regulation is in the process of being updated to reflect the new threshold.

New Law Prohibits Retail Sales of Menthol Cigarettes and Most Flavored Tobacco Products

Starting December 21, 2022, cigarette and tobacco products retailers, including their employees or agents, may no longer sell, offer, or possess with the intent to sell menthol cigarettes and *most* flavored tobacco products. The law does not apply to flavored premium cigars with a wholesale price (retailer's purchase price) of \$12 or more and flavored loose-leaf pipe tobacco. Flavored shisha or hookah tobacco may be sold in licensed retail stores that only admit persons 21 years or older and operate in accordance with all state or local laws. Please visit the California Department of Public Health's [website](#) for more information, including frequently asked questions, a fact sheet, and other useful resources.

For more information, please see [SB 793](#) (Stats. 2020, ch. 34), which was upheld by the passage of [Proposition 31](#) and added the tobacco sale prohibition [section 104559.5 to the Health and Safety Code](#), and our special notice, *New Law Prohibits Retail Sales of Menthol Cigarettes and Most Flavored Tobacco Products*, at www.cdtfa.ca.gov/formspubs/L885.pdf.

New California Electronic Cigarette Excise Tax

As a reminder, the California Electronic Cigarette Excise Tax (CECET) program began on July 1, 2022. If you are a retailer selling electronic cigarettes containing or sold with nicotine, you are required to register for a CECET permit (account) with us using our online services at onlineservices.cdtfa.ca.gov. You are also required to file a CECET return online and pay the CECET by quarterly due dates.

For more information on the CECET and retailer requirements, please see our online *Tax Guide for California Electronic Cigarette Excise Tax*, at www.cdtfa.ca.gov/taxes-and-fees/electronic-cigarette-excise-tax.htm.

New Program for Lithium Producers

Beginning January 1, 2023, any person (producer) extracting lithium from geothermal fluid, spodumene ore, rock, minerals, clay, or any other naturally occurring substance is subject to a lithium extraction excise tax. The new tax is based upon the lifetime cumulative amount of lithium carbonate equivalent extracted in California, and each producer must register for a lithium excise tax (LET) permit with us.

If you plan to extract lithium in California in 2023, we will help you register for your LET permit. Please contact our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.

For more information, please visit our *Lithium Extraction Excise Tax Guide*, at www.cdtfa.ca.gov/taxes-and-fees/lithium-extraction-excise-tax.htm. The guide will be updated as more information becomes available – please check back periodically for updates.

Upcoming International Fuel Tax Agreement Record Review

Our Motor Carrier Office will be contacting new licensees to conduct records reviews (review) at their place of business pursuant to the International Fuel Tax Agreement (IFTA) Audit Manual Section A510, *Records Review Implementation*. The review is to help licensees comply with IFTA recordkeeping requirements.

The review will assist licensees in preparing and documenting their fleet operations as required by IFTA Procedures Manual Section P530, *Adequacy of Records*. The review focuses on the adequacy of internal controls and compliance of distance and fuel accounting systems. The review does not constitute an audit of any previously filed quarterly returns. Should the review disclose any errors, we will recommend you correct them so that future reporting will be more accurate. We recommend you continue to keep your records in accordance with IFTA Procedures Manual Section P500, *Recordkeeping*, to ensure your records comply with [IFTA requirements](#).

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.

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