



## Main Street Small Business Tax Credit II

The Main Street Small Business Tax Credit II will provide COVID-19 financial relief to qualified small business employers. Beginning on November 1, 2021, and ending November 30, 2021, we will be accepting applications through our online reservation system. Qualified small business employers can reserve \$1,000 per net increase in qualified employees, not to exceed \$150,000. Tentative credit reservation amounts will generally be reduced by credit amounts reserved or received under the first Main Street Small Business Tax Credit. The credits are reserved on a first-come, first-served basis. Qualified small businesses will be able to use the credit to offset either their income taxes or their sales and use taxes when filing their returns.

The credit only applies to California small businesses that meet the following qualifications:

- Employed 500 or fewer employees as of December 31, 2020, and
- Experienced a decrease of 20 percent or more in income tax gross receipts by comparing specified periods.

For more information, please visit our *Main Street Small Business Tax Credit II* webpage at [www.cdtfa.ca.gov/industry/main-street-small-business-tax-credit-II-AB150.htm](http://www.cdtfa.ca.gov/industry/main-street-small-business-tax-credit-II-AB150.htm).

## State of Emergency Tax Relief

If you are directly affected by a disaster where a state of emergency has been declared, within California or nationally, we are able to provide emergency tax and fee relief. We may be able to extend tax return due dates, provide relief of penalty and interest, or replace copies of records lost due to disasters.

To request relief of penalties and interest, please login with your username and password at [https://onlineservices.cdtfa.ca.gov/\\_/](https://onlineservices.cdtfa.ca.gov/_/) and click the *More* link, and then select *Submit a Relief Request* and choose the option for *Relief from Penalty and Interest due to a Disaster*. You can also complete and mail form [CDTFA-735, Request for Relief of Penalty, Collection Cost Recovery Fee, and/or Interest](#) located on our website. To request a three-month extension to file, log in with your username and password, click on the *Request a Filing Extension* link and choose the disaster extension option.

For more information, please visit our *State of Emergency Tax Relief* webpage at [www.cdtfa.ca.gov/services/state-of-emergency-tax-relief.htm](http://www.cdtfa.ca.gov/services/state-of-emergency-tax-relief.htm).

## 2019-2020 Annual Report is Now Available

Each fiscal year, we produce an *Annual Report* that provides information about the revenue we collect. It includes informative tables and charts that detail how that revenue is allocated. You can view the report at [www.cdtfa.ca.gov/formspubs/pub306-2019-20.pdf](http://www.cdtfa.ca.gov/formspubs/pub306-2019-20.pdf).

## Are Carbonated Fruit Juices Taxable?

Revenue and Taxation Code section 6359(b)(3) and Regulation 1602(a)(2) provide that, subject to certain exceptions, sales of food products for human consumption are not taxable. Food products include all fruit juices, whether in liquid, frozen, or powdered form. However, food products do not include carbonated beverages.

When fruit juice is carbonated, whether it is a food product is determined by its ingredients. Carbonated fruit juice that contains 100 percent natural fruit juice is considered a food product, and its sale is generally exempt from tax. If ingredients like ascorbic acid and citric acid are added to the fruit juices, it remains a food product because these substances naturally occur in juice. However, if the carbonated fruit juice contains less than 100 percent natural juice and/or contains preservatives (such as sodium benzoate) or other additives, the product is not a food product, and its sale is generally taxable.

For more information, please see Regulation 1602, *Food Products*, at [www.cdtfa.ca.gov/lawguides/vol1/sutr/1602.html](http://www.cdtfa.ca.gov/lawguides/vol1/sutr/1602.html), and Revenue and Taxation Code 6359, *Food Products*, at [www.cdtfa.ca.gov/lawguides/vol1/sutl/6359.html](http://www.cdtfa.ca.gov/lawguides/vol1/sutl/6359.html).

## Sign Up Now

Beginning January 2022, we will phase out our Limited Access Codes. If you have not yet created a username and password, we encourage you to *Sign Up Now*, at [onlineservices.cdtfa.ca.gov/](https://onlineservices.cdtfa.ca.gov/), so you can access your account(s), file returns and reports, and make payments using our online services system. Your username and password give you valuable access to perform many account activities online such as:

- Managing multiple accounts,
- Requesting relief of penalties and interest,
- Requesting filing extensions,
- Saving and updating banking and account information,
- Viewing return and payment history, and
- Receiving alerts and correspondence.

If you need assistance creating a username and password, please see our video tutorials page at [www.cdtfa.ca.gov/services/#Tutorials](https://www.cdtfa.ca.gov/services/#Tutorials), 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.

## When to Contact the Taxpayers' Rights Advocate Office

The Taxpayers' Rights Advocate (TRA) office helps taxpayers when they are unable to resolve a matter through normal channels. You may contact the TRA office with questions related to an audit or the collection of taxes or fees. You may also seek confirmation that you have been treated lawfully and fairly by CDTEA.

If you would like assistance or need more information, please contact us at 1-888-324-2798 or by email at [txrtsweb@cdtfa.ca.gov](mailto:txrtsweb@cdtfa.ca.gov). You can also visit the TRA office webpage at [www.cdtfa.ca.gov/tra](https://www.cdtfa.ca.gov/tra).

## New Sales and Use Tax Rate for the City of Isleton Operative October 1, 2021

The City of Isleton's district tax, which was approved by voters in June 2016, will expire on September 30, 2021. The tax rate change applies only within the city limit. The new tax rate and tax code is 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](https://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 our website, from the *How Do I* section, select the *Find Your Tax Rate* and then select the *Sales and Use Tax Rates*. From there, go to the [California City & County Sales & Use Tax Rates](#) webpage, and select [Find a Sales and Use Tax Rate by Address](#) under the *Current Tax Rates* section. You may also call our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available to assist you Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

DISTRICT TAX RATE DECREASING				
Citywide	Expiring Code	New Code	Prior Rate	New Rate
City of Isleton (located in Sacramento County) <sup>1</sup>	527	962	8.750%	8.250%

<sup>1</sup> The existing city tax of 0.50 percent (ISLS) will expire September 30, 2021. A new code is required.

## Update to Regulation 1584, Membership Fees Nominal Amount is now \$70 or Less Per Year

Beginning January 1, 2021, the term "nominal amount" was changed to mean an amount totaling \$70 or less per year, an increase of \$10 from the previous amount (\$60 or less per year). Membership fees related to the anticipated retail sale of merchandise are subject to tax when merchandise is sold only to members and the membership fee exceeds a "nominal amount."

Every five years, the threshold for the nominal amount is adjusted and rounded to the nearest \$5, to reflect changes in the California Consumer Price Index (CCPI), whenever there is more than a five (5) percent increase in the CCPI since the last adjustment.

For more information about these changes, please see our [Statement of Explanation](#) regarding Regulation 1584, *Membership Fees*, adjustments.

## Cannabis Excise Tax – Arm’s Length or Non-arm’s Length Transactions

To properly calculate the 15 percent cannabis excise tax, cannabis distributors must determine whether the sale or transfer to the cannabis retailer is considered an *arm’s length transaction* or a *non-arm’s length transaction*.

### What is an Arm’s Length Transaction?

An arm’s length transaction is defined as a sale, entered into in good faith, between the cannabis retailer and its supplier at a sales price that reflects the fair market value in the open market between two informed and willing parties, neither under any compulsion to participate in the transaction.

### What is a Non-arm’s Length Transaction?

A non-arm’s length transaction is a transaction that does not meet the definition of an arm’s length transaction, meaning there is no good faith sale to a cannabis retailer at a fair market price. For example, a non-arm’s length transaction is when a distributor sells cannabis:

- To a cannabis retailer that has common ownership with the distributor,
- At a discounted price that does not reflect fair market value, and
- Offers the discount only to this cannabis retailer.

For more information and examples regarding arm’s length and non-arm’s length transactions and how to calculate the cannabis excise tax for each type of transaction, please see the following two tax facts located in our *Tax Guide for Cannabis Businesses* under the *Tax Facts* tab at [www.cdtfa.ca.gov/industry/cannabis.htm#Facts](http://www.cdtfa.ca.gov/industry/cannabis.htm#Facts).

- [Cannabis Excise Tax - Arm’s Length or Non-arm’s Length Transactions](#)
- [How to Calculate the Cannabis Excise Tax Due](#)

## New Reporting Requirement for Cigarette Manufacturers and Importers

Beginning with the August 2021 filing period, due in September 2021, a new mandatory column titled *Total Cigarettes Sales Price* was added to [CDTFA-810-CTF](#), *Cigarette Tax Disbursement Schedule*. This schedule must be completed when filing [CDTFA-501-CD](#), *Cigarette Distributor/Importer Tax Report*, and [CDTFA-501-CM](#), *Cigarette Manufacturer’s Tax Return of Taxable Distributions in California*.

Details about reporting the *Total Cigarettes Sales Price* are available in our notification, mailed in June 2021, [New Reporting Requirement on the Cigarette Tax Disbursement Schedule Beginning with the August 2021 Filing Period](#). Please visit our [Cigarette and Tobacco Products Online Filing](#) webpage for online filing resources, templates, and instructions for preparing cigarette tax schedules.

## New Oil Spill Prevention and Administration Fee Rate Effective October 1, 2021

[Assembly Bill 148](#) (Stats 2021, ch. 115), effective July 22, 2021, makes the following changes to the Oil Spill Prevention and Administration (OSPA) Fee Program:

- Requires mandatory online filing of the monthly OSPA fee return beginning July 22, 2021.
- Increases the current OSPA fee on crude oil and petroleum products from \$0.065 to \$0.085 per barrel beginning October 1, 2021.
- Requires the Department of Fish and Wildlife to annually adjust the OSPA fee rate based on the percentage change in California Consumer Price Index beginning July 1, 2023, and every July 1 thereafter.
- Expands the OSPA fee program to include renewable fuels, beginning January 1, 2022.

For more information, please see our special notice, *Oil Spill Prevention and Administration Fee – Rate Increase and Mandatory Online Filing*, at [www.cdtfa.ca.gov/formspubs/L820.pdf](http://www.cdtfa.ca.gov/formspubs/L820.pdf).

## For More Information

All telephone numbers are toll-free.

### Internet

[www.cdtfa.ca.gov](http://www.cdtfa.ca.gov)  
[www.taxes.ca.gov](http://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](http://www.cdtfa.ca.gov)

### Taxpayers' Rights Advocate

1-888-324-2798  
[www.cdtfa.ca.gov/tra](http://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](http://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](http://www.cdtfa.ca.gov/formspubs/pubs.htm).

Thank you for connecting with us.

