



NEWS FOR TAX PRACTITIONERS

WHAT YOU NEED TO KNOW TO HELP YOUR CLIENTS SUCCESSFULLY OPERATE THEIR BUSINESSES

MISSION: We make life better for Californians by fairly and efficiently collecting the revenue that supports our essential public services.

This semiannual newsletter informs you of the recent changes to tax and fee programs administered by the California Department of Tax and Fee Administration (CDTFA) and other California state agencies that may affect your clients' businesses. This newsletter also provides efficient, accurate, professional tax information and guidance in preparing your clients' returns.

Sales Tax Applies to Surcharges

Taxable gross receipts include all amounts received with respect to a sale, with no deduction for the cost of the materials, service, or expense of the retailer passed on to the purchaser, unless there is a specific statutory exclusion. Accordingly, if your client separately adds a fee or surcharge to their taxable sale, tax also generally applies to the surcharge amount. Examples of some common surcharges are merchant card processing fees, healthcare surcharges, COVID-19 surcharges, wage increase fees, inflation fees, tourism fees, fuel surcharges, paid sick leave fees, restaurant surcharges, or other such charges.

For more details about what constitutes gross receipts, please refer to [Revenue and Taxation Code \(R&TC\) section 6012](#).

Retail Sales of Menthol Cigarettes and Most Flavored Tobacco Products Are Prohibited

Effective December 21, 2022, retailers, including their employees or agents, are not allowed to sell, offer for sale, or possess with the intent to sell menthol cigarettes, most flavored tobacco products, and tobacco product flavor enhancers. Local law enforcement agencies are authorized to enforce this law. Any products not listed on the [California Tobacco Directory](#) are contraband and will be subject to seizure by us under [R&TC section 30165.1](#).

For more information, please visit the California Department of Public Health (CDPH) [website](#) with Frequently Asked Questions and read our special notice, *New Law Prohibits Retail Sales of Menthol Cigarettes and Most Flavored Tobacco Products*, on our website at www.cdtfa.ca.gov/formspubs/L885.pdf. If your clients have any questions, please contact CDPH by email at CTCPInbox@cdph.ca.gov, or by telephone at 1-916-449-5500.

California Electronic Cigarette Excise Tax Applies to Handling Charges

A handling charge is subject to the California Electronic Cigarette Excise Tax (CECET) since it is considered part of the sales price ([R&TC sections 31001\(i\)](#) and [6011](#)) of electronic cigarettes, even if separately stated. The handling charge should be prorated when it is related to the transaction of a sale of electronic cigarettes that is subject to the CECET and a delivery device that is not subject to the CECET ([R&TC section 31002](#) and [Sales and Use Tax Annotation 295.1507](#)).

To view examples, please visit our *Tax Guide for California Electronic Cigarette Excise Tax* at www.cdtfa.ca.gov/taxes-and-fees/electronic-cigarette-excise-tax.htm.

New Receipt Requirements for Cannabis Retailers

Beginning January 1, 2023, when making a retail sale of cannabis or cannabis products, cannabis retailers are required to provide their customers with an invoice or receipt that separately states the cannabis excise tax due, as specified under [R&TC section 34011.2 \(d\)](#).



District Tax on Retail Sales and Deliveries of Cannabis or Cannabis Products

Generally, your client's retail sales of cannabis or cannabis products made over the counter at their cannabis business are subject to any district sales taxes imposed in the district where the cannabis business is located. If your client also delivers cannabis or cannabis products to their retail customers using their own vehicle, your client is generally required to collect, report, and pay any district use tax in the district where they make the delivery. Your client is responsible for reporting and paying the district tax at the rate in effect in that district.

For more information, please see our publication 44, *District Taxes (Sales and Use Taxes)*, at www.cdtfa.ca.gov/formspubs/pub44.pdf, and see our *Tax Guide for Cannabis Businesses* under the *Tax Facts* tab. For specific citations included in this tax fact, please see [R&TC sections 6012, 6051, 7261, 6011, and 6012](#), and [Regulations 1823, 1827, and 1628](#).

New Sales Tax Prepayment and Excise Tax Rates on Fuel

By March 1 of each year, we are required to establish the sales tax prepayment rates on fuels that will be in effect from July 1 through June 30 of the following year. Generally, new prepayment rates take effect July 1. The rates vary depending on the type of fuel involved and may be adjusted during the year, if necessary.

We are also required to adjust the excise tax rates for motor vehicle fuel and diesel fuel effective July 1 every year by the percentage change in the California Consumer Price Index, as calculated by the California Department of Finance. The excise taxes on aircraft jet fuel and aviation gasoline are not subject to an annual adjustment.

Sales Tax Prepayment Rates—Effective July 1, 2023, through June 30, 2024

The sales tax prepayment rate for motor vehicle fuel, diesel fuel, and jet fuel are as follows:

- Motor vehicle fuel (gasoline) rate decreased to \$0.080 per gallon (from \$0.090 per gallon)
- Diesel fuel rate increased to \$0.345 per gallon (from \$0.330 per gallon) for July 1, 2023, through September 30, 2023, and then will increase to \$0.500 per gallon for October 1, 2023, through June 30, 2024
- Jet fuel rate increases to \$0.185 per gallon (from \$0.180 per gallon)

Excise Tax Rates—Effective July 1, 2023, through June 30, 2024

The excise tax rates for motor vehicle fuel, diesel fuel, jet fuel, and aviation gasoline are as follows:

- Motor vehicle fuel (gasoline) excise tax rate increased to \$0.579 per gallon (from \$0.539 per gallon)
- Diesel fuel excise tax rate increased to \$0.441 per gallon (from \$0.410 per gallon)
- Jet fuel excise tax rate remains at \$0.020 per gallon
- Aviation gasoline excise tax rate remains at \$0.180 per gallon

Your client can view the special notice, *Tax Rates for Motor Vehicle and Diesel Fuels*, at www.cdtfa.ca.gov/formspubs/L893.pdf about these changes. For information concerning tax rates, please visit our [Sales Tax Rates for Fuels](#) table or the *Fuel Taxes* section on our *Tax Rates—Special Taxes and Fees* webpage at www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm.



New Reporting Requirements for Transportable Treatment Units

On and after July 1, 2023, the owner or operator of a transportable treatment unit (TTU) is required to file an annual return and pay the facility fee imposed on TTUs in two equal installments, on or before November 30 and February 28 of each fiscal year (See [Revenue and Taxation Code section 43152.6](#)). A TTU is mobile equipment that performs onsite treatment of hazardous waste using proven treatment processes. (See [Health and Safety Code section 25123.4](#)).

New reporting and payment requirements applicable starting with fiscal year 2023-2024:

- Your prepayment due date is November 30 of each fiscal year. The payment must be 50 percent of the fee due for the current fiscal year.
- Your final payment and return are due by February 28 of each fiscal year. The payment is the remaining 50 percent of the fee due for the current fiscal year.



New Tax Rate for Other Tobacco Products Effective July 1, 2023, through June 30, 2024

The new tax rate for other tobacco products (products other than cigarettes) is 56.32 percent of the wholesale cost, effective July 1, 2023, through June 30, 2024. We are required to determine the tax rate annually, which is equivalent to the combined rate of tax imposed on cigarettes.

For more information, please see our special notice, *New Tax Rate on Other Tobacco Products Effective July 1, 2023, through June 30, 2024*, at www.cdtfa.ca.gov/formspubs/L899.pdf. Current and historical tobacco products tax rates are posted on our *Tax Rates—Special Taxes and Fees* webpage, under the *Cigarette and Tobacco Products Tax* section at www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm#cigarettetax.



Hazardous Waste Fees—Online Filing Required and Due Date Reminders

Online filing is required for all hazardous waste fee program returns, including the environmental fee return, the hazardous waste facility fee return, and the hazardous waste generation and handling fee return according to R&TC sections 43152.9, 43152.6, and 43152.7.

Prepayments should also be filed using our online services system.

Log in to our online services system with a username and password to file your return. For assistance with creating a username and password and filing online, please view our *Video Tutorials* at www.cdtfa.ca.gov/services/#Tutorials, or your client may call 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.



Prepayment, final payment, and return due dates are as follows:

Environmental fee—Fiscal Year 2023-24 Filing Period

- Return and final payment—Due February 28, 2024

Please note: The [employee threshold](#) for the environmental fee changed from 50 or more employees to 100 or more employees starting January 1, 2022.

Facility fee (now includes TTU facility permit types)—Fiscal Year 2023-24 Filing Period

- Prepayment—Due November 30, 2023
- Return and final payment—Due February 28, 2024

Generation and handling fee – Calendar Year 2023 Filing Period

Your client will report based on the hazardous waste tons your client generated in calendar year 2022.

- Prepayment—Due November 30, 2023
- Return and final payment—Due February 28, 2024

For more information, please see the reminder notices below:

- *Prepayment Requirement Reminder for Hazardous Waste* at www.cdtfa.ca.gov/formspubs/L889.pdf
- *Hazardous Waste Generation and Handling Fee Program Reminders and Online Filing Requirement* at www.cdtfa.ca.gov/formspubs/L863.pdf
- *Hazardous Waste Facility Fee Prepayment, Return, and Program Update Reminders* at www.cdtfa.ca.gov/formspubs/L862.pdf

We also invite you and your client to visit our *Hazardous Substances (Waste) Fee Guide* at www.cdtfa.ca.gov/taxes-and-fees/haz-sub-fee.htm.

Rate Increase for Oil Spill Prevention and Administration Fee

Beginning July 1, 2023, and every July 1 thereafter, the California Department of Fish and Wildlife (CDFW) is required to adjust the Oil Spill Prevention and Administration (OSPA) fee based on changes in the California Consumer Price Index. The OSPA fee rate will increase from eight and one-half cents (\$0.085) per barrel to nine and one-tenth cents (\$0.091) per barrel effective July 1, 2023, through June 30, 2024.

For more information, please see our special notice, *Oil Spill Prevention and Administration Fee: Rate Increase Effective July 1, 2023*, at www.cdtfa.ca.gov/formspubs/L901.pdf. Current and historical OSPA fee rates are posted on the Tax Rates—Special Taxes and Fees webpage, under the *Oil Spill Response, Prevention, and Administration Fees* section at www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm.

International Fuel Tax Agreement Records Review

Our Motor Carrier Office is contacting new licensees to conduct records reviews at their place of business. The records review will assist licensees in preparing and documenting their fleet operations as required by *IFTA Procedures Manual* section P530, *Adequacy of Records*. The records review focuses only on the adequacy of internal controls and compliance of distance and fuel accounting systems and does not constitute an audit of any previously-filed quarterly returns. The records review will not result in tax adjustments, and the periods included in the review are not excluded from a future audit.



Tax Education Events

Did you know that CDTFA offers classes like *Basic Sales and Use Tax*, *Basic Recordkeeping*, and industry-specific webinars for different types of businesses? For example, there are webinars for businesses in the food industry, construction contractors, and gas station owners. Please visit our *Tax Education Events* webpage, at www.cdtfa.ca.gov/seminar/, to see our upcoming events and calendar and schedule your class today!

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Articles from Other State Agencies

Employment Development Department Important Bank Change Information for ACH Credit and Fedwire Payers

The Employment Development Department's (EDD) bank for processing Automated Clearing House (ACH) Credit and Fedwire payments changed from Union Bank to US Bank.

If your clients make payments using the ACH credit or Fedwire method, they will need to provide the new EDD bank account and routing transit number to their bank. The new bank information can be found in the DE 532, *Automated Clearing House (ACH) Credit Information Guide*, at edd.ca.gov/pdf_pub_ctr/de532.pdf.

A separate DE 28C, *ACH Credit Filer Notification* with the US Bank information was mailed to employers who have previously submitted payroll tax deposits using the ACH credit or Fedwire payment method.

For details about the ACH credit payment method and for additional electronic funds transfer payment options, please visit EDD's Electronic Funds Transfer (EFT) webpage at edd.ca.gov/en/payroll_taxes/Electronic_Funds_Transfer/. If you have questions regarding this change, please contact EDD Taxpayer Assistance Center at 1-888-745-3886.

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