



NEWS FOR TAX PRACTITIONERS

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

This semiannual newsletter helps you stay current on the latest developments regarding the taxes and fees administered by the California Department of Tax and Fee Administration (CDTFA) and other taxes that affect your clients' businesses, and to help you advise them and prepare their returns more accurately and effectively.

Agency Restructured to Better Serve Taxpayers and Fee payers

Beginning July 1, 2017, most duties performed by the California State Board of Equalization (Board) were transferred to the newly created California Department of Tax and Fee Administration (CDTFA) and the Office of Tax Appeals. This restructure is a result of Assembly Bill 102, *The Taxpayer Transparency and Fairness Act of 2017*, which was recently enacted into law.

The Board will continue to perform the duties it was assigned by the state Constitution, which include administering programs related to property taxes, insurance taxes, and excise taxes on alcohol. Until December 31, 2017, the Board will continue to hear taxpayer appeals on all types of tax and fee matters. However, beginning January 1, 2018, the Board will only hear appeals related to the programs it constitutionally administers, and the Office of Tax Appeals will hear appeals on all other tax and fee matters, such as franchise and personal income tax appeals, sales and use tax, and other special taxes and fees.

Requirements to register, file, and pay taxes and to meet other obligations are the same as required prior to July 1, 2017; however, the agency administering that tax or fee may have changed. Schedules, forms, and payments will generally be the same during the transition. You will be notified of any future changes and are encouraged to visit CDTFA's website at www.cdtfa.ca.gov for more information.

Your patience during the transition is appreciated. Please call 1-800-400-7115 (TTY:711) with any questions.



Fuel Rate Increases

Senate Bill (SB) 1 (Stats. 2017, Ch. 5) increases the excise tax rate on motor vehicle fuel (excluding aviation gasoline) by \$0.12 per gallon, excise tax rate on diesel fuel by \$0.20 per gallon, and also the sales and use tax surcharge on diesel fuel from 1.75 percent to 5.75 percent effective November 1, 2017, at 12:01 a.m. SB 1 also imposes a storage tax on tax-paid inventory of motor vehicle fuel and diesel fuel held for sale on November 1, 2017, at 12:01 a.m. Retailers, wholesalers, suppliers, or their accountants, will receive storage tax returns in October 2017. The tax return and remittance of tax are due on or before January 1, 2018. Keep checking www.boe.ca.gov or www.cdtfa.ca.gov for further information as it will be posted as it becomes available.

The Taxpayers' Rights Advocate is Here to Help Taxpayers

The Taxpayers' Rights Advocate (TRA) Office helps taxpayers and fee payers when they are unable to resolve a matter through normal channels, when they want information regarding procedures relating to a particular set of circumstances, or when there are apparent rights violations in the audit, compliance, or property tax areas.

Upholding the Taxpayers' Bill of Rights is a critical part of the law. The CDTFA and its Taxpayers' Rights Advocate want to assure all taxpayers and fee payers that the Taxpayers' Bill of Rights and the legal responsibilities of the Taxpayers' Rights Advocate have been unaffected by the restructure and remain in force. Protecting the California Taxpayers' Bill of Rights remains the top priority of the Department and the Taxpayers' Rights Advocate. Information needed and received by taxpayers will be applied consistently and clearly so that taxpayers will understand their rights.

During the transition, much of the business previously conducted through the Board's website will continue to be transacted through the Board website. Full migration of services to the CDTFA website will occur over time. A FAQ has been developed and can be accessed at www.cdtfa.ca.gov.

If you have a concern regarding a tax or fee matter administered by the CDTFA or a BOE-administered tax program, you may contact the CDTFA's Taxpayers' Rights Advocate at Taxpayers' Rights Advocate, California Department of Tax and Fee Administration 450 N Street, MIC 70 /P.O. Box 942879, Sacramento, CA 94279-0070, email www.boe.ca.gov/info/emailtra.htm, telephone 1-916-324-2798 or toll free 1-888-324-2798, fax 1-916-323-3319.

Reminder for Lead-Acid Battery Registration Requirement and Electronic Return Filing

Beginning April 1, 2017, dealers, manufacturers, and importers who sell lead-acid batteries in California are required to register with the CDTFA as a battery dealer and/or manufacturer and collect and/or pay the new lead-acid battery fee(s) at the time of the sale. The types of lead-acid batteries covered by the fees generally may include batteries designed for use in a vehicle, watercraft, aircraft, or other equipment.



Registration is available online at efile.boe.ca.gov/ereg/index.boe. The lead-acid battery returns are available to file online at www.boe.ca.gov/File_a_Return.htm. For additional information, you may view our guide for *Lead-Acid Battery Fees* at www.boe.ca.gov/industry/lead-acid_battery_fees.html.

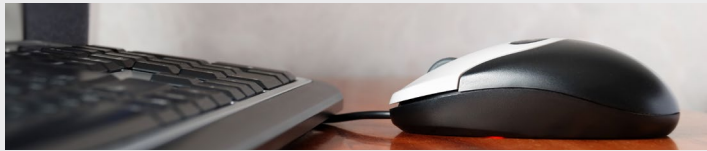


Cannabis Taxes – Where to Find More Information

Sign up for the CDTFA's Cannabis Outreach email listserv at www.boe.ca.gov/cannabis/subscribe/ to receive the latest news on cannabis tax compliance and related issues, such as our department-issued special notices and news releases. The email listserv will also be used to inform those persons in the industry about opportunities to comment and provide feedback on policy updates related to the taxation of cannabis and cannabis products.

The emergency regulation process is underway. Please visit www.boe.ca.gov/meetings/pdf/2017BTCcalendar.pdf for specific dates and register online at www.boe.ca.gov/aprc/index.htm to receive announcements of any proposed regulatory change.

New information, as it become available, will be posted in the *Tax Guide for Cannabis Businesses* at www.boe.ca.gov/cannabis.



New State Law Requires Employers to Electronically File and Pay Payroll Taxes

As of January 1, 2017, employers with ten or more employees are now required to electronically submit employment tax returns, wage reports, and payroll tax deposits to the Employment Development Department (EDD) (Assembly Bill 1245, Stats. 2015, Ch. 222). Beginning January 1, 2018, this requirement will apply to all remaining employers.

The EDD's *e-Services for Business* at www.edd.ca.gov/Payroll_Taxes/e-Services_for_Business.htm is a fast, easy, and secure way to file, pay, and manage an employer payroll tax account online at no cost. Employers and employer representatives/payroll agents can file and pay online with *e-Services for Business* by directly entering return, report, and payment information or by uploading bulk return and bulk payment files for multiple accounts.

For more information on the e-file and e-pay mandate or to access additional resources, please visit *E-file and E-pay Mandate for Employers (Assembly Bill 1245)* at www.edd.ca.gov/Payroll_Taxes/E-file_and_E-pay_Mandate_for_Employers.htm.

Contact Us

Tell the CDTFA what topics you would like to see covered in your newsletter. You can mail your comments to the CDTFA, call the Customer Service Center at 1-800-400-7115 (TTY:711), or send a message through the CDTFA website.

California Department of Tax and Fee Administration
PO Box 942879
Sacramento, CA 94279-0044

Website:
www.boe.ca.gov/contact/ or
www.cdtfa.ca.gov/contact.htm

Tax Practitioner Hotline:
1-800-401-3661
Representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.



New Features, Enhanced Security
Convenient, secure access to file, pay, and manage your taxes.

Franchise Tax Board's (FTB) MyFTB Improves Services for Tax Professionals

The FTB will be making improvements to MyFTB accounts for tax professionals. Coming in September 2017, MyFTB will allow representatives to manage their MyFTB account profile. The account will include fields for firm name, additional ID's, and other contact information. Also coming this year, MyFTB will include a "view" privilege for the Tax Preparer/Client relationship, which will show correspondence and notice images. For the Power of Attorney relationship, the FTB will add a "do" privilege that will include address changes and protests. To create an account for MyFTB, go to www.ftb.ca.gov/index.shtml and click the MyFTB "Register" button.



District Tax Rate Changes

Beginning July 1, 2017, the tax rates for all jurisdictions within the county of Los Angeles increased 0.50 percent. Taxpayers and fee payers in the county and all vehicle dealers and lessors in California were notified of this increase. Those new rates can be viewed at www.boe.ca.gov/pdf/1499.pdf.

Additional tax rate changes will take place on October 1, 2017, including in most jurisdictions within Los Angeles County due to the 0.25 percent Measure H, *Sales Tax for Homeless Services and Prevention*. You can find the new rates at www.boe.ca.gov/sutax/pam71.htm, or at www.boe.ca.gov/news/news_and_events.htm (select the tab "Notices & Newsletters," click on the first item "Special Notices – 2017," and under the month of August select "New Sales and Use Tax Rates Operative October 1, 2017").

What if Your Client Does Not Have Internet Access?

You may have clients conducting their businesses without the benefit of Internet access. You can help these clients by going online for them and registering for a permit, license, or account. You can also electronically file a return for them, make a payment, request a payment plan, make a request for an extension of time to file a return, or request a relief from penalty, interest, or collection cost recovery fee.

Ensure Your Clients Are Charging the Correct Sales Tax Rate

The sales and use tax rate varies throughout the state and even throughout individual counties because of district taxes imposed by cities and counties. It is, therefore, very important for your clients to determine whether they are located within a particular city or the unincorporated area of a county.

You can help your clients determine the location of their business to be sure they are collecting the correct amount of tax by looking up their business address at www.boe.ca.gov/sutax/pam71.htm, selecting "Find a Sales and Use Tax Rate by Address," entering the address, and clicking the "Search" button, or you may contact the city and ask them for a map of their city limits.

In addition, the sales and use tax rates for cities and counties can change as existing district taxes expire or new taxes are approved by voters. So once your clients have correctly determined their location, it is important that you and they keep up to date on changes to the sales tax rate within their county and/or city.

We routinely notify businesses of tax rate changes in their counties. You can also receive regular notifications by signing up for the "BOE Updates" at www.boe.ca.gov/info/enotify.htm (check the first box "BOE Updates," provide your registration information, and click the "Submit Form" button).



New Industry and Tax and Fee Guides Available Online

We have several new industry and tax and fee guides available to assist your clients with their businesses. These online industry guides are a good source for information on key tax and fee issues relevant to specific types of businesses. Some of our most recent guides are:

- *Home-Based Businesses*
- *Beer Brewers and Distributors*
- *Distillers and Distributors of Distilled Spirits*

In addition, we added new topics under the *Industry Topics* tab for the following guides:

- *Winemakers and Distributors*—see the *Facility Fees for Events at Winery* section
- *Motor Vehicle Dealers*—see the *Loaner Vehicles* section

For a complete list of all of the industry topics, please visit the *Industry & Tax and Fee Guides* webpage at www.boe.ca.gov/industry.



Update on Our Information Technology Modernization—New Online Services Coming Spring 2018

FAST Enterprises was approved on August 30, 2016, as the contractor for the CROS project—the department's IT modernization effort that includes replacing our outdated systems, improving program processes, and enhancing services for taxpayers and fee payers. As a result, our online services will have a new look and feel. We will offer more self-service options like account maintenance, real-time access to account information, and the ability to amend returns and correspond with agency staff through secure online messaging.

Our new online services will be ready in the spring of 2018 for the following tax and fee programs:

- Sales and Use Tax
- Prepaid Mobile Telephony Services Surcharge (other than telecommunication service suppliers)
- Lumber Products Assessment
- Cigarette Retailer License Fee
- Covered Electronic Waste Recycling Fee
- California Tire Fee

The remaining tax and fee programs will go live in spring 2019 and spring 2020. For more information on the CROS Project, please visit us at www.boe.ca.gov/cros.



New Cigarette and Tobacco Products Tax Regulation 4001

Cigarette and Tobacco Products Tax Regulation 4001, *Retail Stock*, was approved and became operative July 1, 2017. The regulation clarifies the definition of retail stock for cigarette and tobacco products for tax purposes, and provides specific scenarios to determine if inventory is or is not considered retail stock. All cigarette and tobacco products placed in retail stock are deemed distributed and the excise tax is due.

For additional information, you may view our guide for *Cigarette and Tobacco Products* at www.boe.ca.gov/industry/cigarettes_tobacco_products.html.