



CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION
TAX POLICY BUREAU
450 N STREET, SACRAMENTO, CA 95814
PO BOX 942879, SACRAMENTO, CA 94279-0092
1-916-324-2373 • FAX 1-916-322-2958
www.cdtfa.ca.gov

GAVIN NEWSOM
Governor

MARYBEL BATJER
Secretary, Government Operations Agency

NICOLAS MADUROS
Director

July 19, 2019

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 8, *Use Tax*, to incorporate current policies and procedures concerning requests for a use tax clearance for vehicles, mobilehomes, commercial coaches, and vessels.

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 **August 19, 2019**, in order to be considered by staff. Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Trista Gonzalez".

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

~~CERTIFICATE OF USE TAX CLEARANCE (CDTFA-111 AND CDTFA 111-B)~~**CERTIFICATE OF USE TAX CLEARANCE FOR VEHICLES, MOBILEHOMES, COMMERCIAL COACHES AND UNDOCUMENTED VESSELS** **825.000**

~~CDTFA-111 (VEHICLES/MOBILEHOMES/ COMMERCIAL COACHES) AND CDTFA-111-B (VESSELS)~~
CDTFA-111 (CERTIFICATE OF VEHICLE, MOBILEHOME, OR COMMERCIAL COACH USE TAX CLEARANCE) AND CDTFA-111-B (CERTIFICATE OF VESSEL USE TAX CLEARANCE) **825.005**

~~When a registrant claims exemption from the use tax on a transfer of a vehicle/mobile home/ commercial coach or undocumented vessel, the Department of Motor Vehicles (DMV) or Department of Housing and Community Development (HCD) may require a CDTFA-111/111-B, Certificate of Use Tax Clearance, to complete registration without payment of the use tax. The CDTFA-111/111-B is issued by the CDTFA in the following situations:~~

When a registrant claims an exemption from the use tax on the transfer of a vehicle, mobilehome, commercial coach, or undocumented vessel, the Department of Motor Vehicles (DMV) or Department of Housing and Community Development (HCD) may require a CDTFA-111/111-B to complete registration without payment of the use tax. The CDTFA-111/111-B is issued by the CDTFA in the following situations:

- The registrant claims an exemption and provides sufficient documentation to confirm that use tax is not due.
- The registrant claims an exemption that may qualify, but the qualifying **test** period for the exemption has not expired. The registrant must provide documentation that shows delivery/-possession took place out of state to proceed with this claim.
- The registrant pays the use tax **directly** to the CDTFA.
- ~~The registrant has requested an Installment Payment Agreement and will be paying the use tax under that agreement.~~ **The registrant has requested a payment plan and will be paying the use tax due under that agreement.**

A CDTFA-111/111-B is never issued for a documented vessel or an aircraft because ~~their~~**these types of** registration ~~is~~**are** handled by the US Coast Guard or the Federal Aviation Administration, respectively, and neither federal entity acts as an agent of the CDTFA to collect use tax.

DMV/HCD PROCESSING **825.010**

~~Initial contact with the taxpayer may occur when the taxpayer presents the application for registration of a vehicle/mobilehome or undocumented vessel to DMV/HCD. Sales tax transactions are recognized by the presence in the registration documents of a vehicle dealer's Report of Sale or a Vessel Dealer or Manufacturer's Sales Tax Certification (DMV form BOAT110). On non-dealer transactions, the DMV/HCD interviewer must make a decision as to the applicability of the use tax. If the DMV/HCD interviewer determines the use tax is due and the taxpayer disagrees, the taxpayer is instructed to request a Certificate of Use Tax Clearance from the CDTFA. Requests of this type are filed using a CDTFA-106, Vehicle/Vessel Use Tax Clearance Request. This~~

~~is a fill-in form available on the CDTFA website to persons making claims. The form is also available in publication 52, *Vehicles and Vessels: How to Request a Use Tax Clearance for DMV Registration*.~~

When a taxpayer applies for registration of a vehicle, mobilehome, commercial coach, or undocumented vessel through the DMV/HCD, they may indicate that use tax is not applicable. If the DMV/HCD determines the use tax is due and the taxpayer disagrees, the taxpayer may be directed to request a CDTFA-111/111-B from the CDTFA. Taxpayers can request a use tax clearance online by accessing the Online Services portal on the CDTFA website, or by completing a paper CDTFA-106, *Vehicle/Vessel Use Tax Clearance Request*, and submitting it with supporting documentation to the CDTFA. This fill-in form is available on the CDTFA website and is also available in publication 52, *Vehicles and Vessels: Use Tax*. The issuance of a “Test Period Not Yet Expired” clearance is to allow registration at DMV and does not grant an exemption or relieve the taxpayer of any tax that may later be found due.

If the registrant has purchased a vessel/trailer combination and does not have a breakdown of the purchase price for each item, DMV will allocate \$1.00 in use tax to the trailer with the balance applied to the vessel.

CONSUMER USE TAX SECTION (CUTS) PROCESSING

825.015

~~Requests for a *Certificate of Use Tax Clearance* received by CUTS are assigned a source information file (SIF) number in pending registration for review and recommendation.~~

~~All requests claiming exemption for the principal use test are monitored by CUTS at the end of the test period. For each “Test Period Not Yet Expired” CDTFA-111/111-B packet received in CUTS, a Taxable Activity Registration (TAR) account will be created. CUTS assigns each TAR account a status code that will prompt further action at the end of the “12 month Test” period or at the end of the “90 Day or 6 Month Principal Use Test” period.~~

Requests received by CUTS in paper format are manually entered into the system as a *Vehicle/Vessel Use Tax Clearance Request* case for review and recommendation. For clearance requests initiated online by the taxpayer, a *Vehicle/Vessel Use Tax Clearance Request* case is automatically created in the system.

All requests claiming exemption where the test period has not yet expired are monitored by CUTS at the end of the test period. For each “Test Period Not Yet Expired” assignment received in CUTS, an account will be created. CUTS also sends a CDTFA-909, *CDTFA-111 Issued to Taxpayer – 12 Month Test Period Expired*, to request documentation in support of the claimed exemption.

If the documentation provided by the taxpayer at the end of the test period supports the claimed exemption, the taxpayer will be notified that his or her claim has been granted. If the taxpayer fails to provide sufficient documentation, or the documentation indicates the taxpayer has not qualified for the exemption from use tax, a Notice of Determination will be issued.

FIELD OFFICE PROCESSING

825.020

~~Requests by mail, fax, or in person for a *Certificate of Use Tax Clearance* should be resolved in field offices and should not be forwarded to CUTS for a decision.~~

~~If necessary, field staff may obtain assistance from CUTS by phone or email. If the taxability cannot be determined at the time of the request (e.g. test period not yet expired or pending receipt of additional documentation), staff should encourage the taxpayer to pay the use tax. The use tax due may be paid either directly to the CDTFA to obtain a CDTFA 111/111-B, or to DMV to complete the registration process. However, if a claim for exemption will be pursued by the taxpayer at the end of the test period, the taxpayer should be informed to file a timely claim for refund on the payment. Taxpayers who pay the use tax have six months from the date of overpayment, or three years from the due date of the tax return (when use tax is paid with the tax return) in which to file a claim for refund.~~

Generally, requests received by mail, fax, or in person in a field office for a CDTFA-111/111-B should be resolved in the field office and should not be forwarded to CUTS. If necessary, the field office may obtain assistance from CUTS by phone or email.

Requests in person can be made using a kiosk in a field office. If the taxpayer needs the clearance the same day, team members must search for the taxpayer's web request and select it for processing. This will immediately generate the Vehicle/Vessel Use Tax Clearance Request case. If for any reason the taxpayer's web request cannot be processed, the taxpayer should fill out a CDTFA-106 and submit it with supporting documents. The CDTFA-106 and supporting documents must be uploaded into the system, and a Vehicle/Vessel Use Tax Clearance Request case manually created.

If the taxability cannot be determined at the time of the request (e.g., test period not yet expired or pending receipt of additional documentation), the taxpayer should be encouraged to pay the use tax. The use tax due may be paid either directly to the CDTFA to obtain a CDTFA-111/111-B, or to DMV to complete the registration process. However, if a claim for exemption will be pursued by the taxpayer at the end of the test period, the taxpayer should be asked to file a timely claim for refund for the payment. Taxpayers who pay the use tax have six months from the date of overpayment, or three years from the due date of the tax return (when use tax is paid with the tax return) in which to file a claim for refund.

If the clearance is denied, a letter generated in the system will be provided to the taxpayer. If the taxpayer disagrees with the finding, the CDTFA-111/111-B must be issued to avoid delaying registration with the DMV. In these cases, an email should be sent to CUTS_106_Inquiries@cdtfa.ca.gov for registration and billing.

If the transaction is taxable and payment is made in a field office, please refer to CPPM section 840.005, Voluntary Payments, for processing instructions.

~~Field Office Responsibilities under 90-Day Presumption and 6-Month Principal Use Test:~~

~~Field office staff must require the registrant to provide documentation that shows delivery/ possession took place out of state (i.e., copy of purchase agreement, an out-of-state delivery statement, and any additional supporting documentation) and that the vehicle or vessel was first functionally used out of state to proceed with the claim. If the applicable test period has expired, it is the responsibility of the field office to review the appropriate documentation and make the determination as to the taxability of the transaction before issuing a use tax clearance.~~

~~If the applicable test period has not yet expired, a copy of the CDTFA-111/111-B and the entire packet, clearly flagged "Test Period Not Yet Expired" should be forwarded to~~

~~the CUTS with the name and phone number of the field office contact person included. Staff should continue to follow established procedures with regard to security and retention of the CDTFAs 106, CDTFAs 111/111-B, and supporting documentation.~~

Field Office Processing

(Cont.) 825.020

~~Field Office Responsibilities under 12-Month Test:~~

~~Field office responsibilities for issuance of a use tax clearance under the 12-Month Test are generally the same as for purchases subject to the 90-Day Test, with one major exception: **Do not issue a CDTFAs 111 for a “Test Period Not Yet Expired” request if:** (1) the claimant is a California resident, and (2) the vehicle has entered California within the first 12 months of ownership (unless it is a claim for the interstate and foreign commerce exemption, e.g., semi-trailer). If the vehicle or undocumented vessel has been brought into the state, the taxpayer should be advised the transaction is taxable and the use tax should be remitted to the DMV at the time of registration.~~

~~For claims of “Not Purchased for Use in California” under the 12-month test period, if the taxpayer is a California resident, the CDTFAs 106 should include the taxpayer’s statement that the vehicle/undocumented vessel will not enter California during the first 12 months of ownership. If the taxpayer is not a California resident, the request should include the reason the vehicle/undocumented vessel is being registered in California (since registration in California presumes the vehicle/undocumented vessel is for use in California and subject to the use tax) and a statement that the vehicle/undocumented vessel will not be used in California more than one half of the time during the first 12 months of ownership. Exemption claims for vehicles/undocumented vessels “not purchased for use in California” by a taxpayer that is not a California resident, even if approved by the field office, should be forwarded to CUTS for referral to the appropriate state in which the vehicle was claimed for use.~~

~~If the CDTFAs 111 is issued for a “Test Period Not Yet Expired” for a 12-month test period, the field office staff must provide to the taxpayer a CDTFAs 111-AT (vehicle cover letter) or CDTFAs 111-AT-B (undocumented vessel cover letter). These letters are available on iCDTFAs and advise taxpayers that they will be required to provide documentation to support their claim for exclusion at the end of the 12-month test period. A copy of the CDTFAs 111 and the entire packet, clearly flagged “Test Period Not Yet Expired” should be forwarded to CUTS with the contact person’s name and phone number included. Field office staff should continue to follow established procedures with regard to security and retention of forms CDTFAs 106 and CDTFAs 111, and supporting documentation.~~

Field Office Responsibilities When Test Period has not Expired:

The registrant must provide documentation that shows delivery/possession took place out of state (i.e., copy of purchase agreement, an out-of-state delivery statement, and any additional supporting documentation) and that the vehicle or undocumented vessel was first functionally used out of state to proceed with the claim.

A CDTFAs-111/111-B should generally not be issued for a “Test Period Not Yet Expired” request if: (1) the claimant is a California resident, and (2) the vehicle or undocumented vessel has entered California within the first 12 months of ownership (unless it is a claim for the interstate and foreign commerce exemption, e.g., semi-trailer). In such cases, the taxpayer should be advised that it is rebuttably presumed that the vehicle or undocumented vessel was purchased for

use in California and the use tax should be remitted to the DMV at the time of registration. However, see CPPM 820.005 for guidelines regarding how a purchaser rebuts the presumption.

If the taxpayer is a California resident and claims the vehicle or undocumented vessel was “Not Purchased for Use in California” under the 12-month test period, the CDTFA-106 must include the taxpayer’s statement that the vehicle or undocumented vessel will not enter California during the first 12 months of ownership. If the taxpayer is not a California resident, the request must include the reason the vehicle or undocumented vessel is being registered in California (since registration in California generally presumes the vehicle or undocumented vessel is for use in California and subject to the use tax) and a statement that the vehicle or undocumented vessel will not be used in California more than one-half of the time during the first 12 months of ownership. If the applicable test period has not yet expired, the case should be forwarded to CUTS.

If the CDTFA-111/111-B is issued for a “Test Period Not Yet Expired,” the field office must provide the taxpayer with a CDTFA-111-AT (cover letter), which advises taxpayers that they will be required to provide documentation to support their claim at the end of the test period. A copy of the CDTFA-111/111-B and all documentation should be uploaded into the system. Field offices should continue to follow established procedures regarding security and retention of the CDTFA-106, the CDTFA-111/111-B, and supporting documentation.

Field Office Responsibilities When Test Period Has Expired:

If the applicable test period has expired, it is the responsibility of the field office to review the appropriate documentation and make the determination as to the taxability of the transaction before issuing a use tax clearance.

~~PREPARATION OF THE CDTFA-106, VEHICLE/VESSEL USE TAX CLEARANCE REQUEST~~ ~~825.025~~

~~When a request for a certificate of use tax exemption is received, a CDTFA-106, *Vehicle/Vessel Use Tax Clearance Request*, should be prepared for each request. The front of the form is completed by the taxpayer. The back of the form is to be completed by staff and approved by a supervisor or designee.~~

~~The completed form should indicate that the documentation required to verify the exemption has been provided, and copies of the documentation should be attached to the request.~~

~~For “Test period Not Yet Expired” clearance requests, the designated checklist on the back of the CDTFA-106 must be completed. The issuance of this clearance is to allow registration at DMV, and does not grant an exemption or exclusion or relieve the taxpayer of any tax that may later be found due.~~

REFERRALS TO CUTS 825.030

~~Taxpayers should not be told to contact CUTS directly unless a CUTS account number (SA, SB, SP, or SI indicator) has been assigned. Staff should refer CDTFA-111 packets to CUTS under the following circumstances:~~

- ~~• A CDTFA-111 or CDTFA-111-B was issued for registration purposes, but tax was not collected because the test period has not yet expired. CUTS will follow up at the end of the test period to obtain documentation to support the claim. In these~~

~~circumstances, the taxpayer must be provided with CDTFA 111 AT, *Certificate of Use Tax Clearance Cover Letter* or CDTFA 111 AT B, *Certificate of Use Tax Clearance Cover Letter for Vessel*, along with the CDTFA 111 or CDTFA 111 B.~~

- ~~• Information from a request discloses a multiple transfer in which the prior owner did not register the vehicle or vessel after a prior sale (intervening owner). Copies of documentation on all parties involved should be forwarded to CUTS.~~
- ~~• A *Certificate of Use Tax Clearance* was issued pursuant to an installment payment agreement.~~

~~Referrals should include a complete copy of the CDTFA 111/111 B packet, along with a brief explanation and the name and phone number of the field office contact person. The packet should also contain copies of any documentation submitted by the taxpayer.~~

CDTFA-111/111-B assignments should be referred to CUTS under the following circumstances:

- A CDTFA-111/111-B was issued for registration purposes, but tax was not collected because the test period has not yet expired. CUTS will follow up at the end of the test period to obtain documentation to support the claim. In these circumstances, the taxpayer must be provided with the CDTFA-111-AT, *Certificate of Use Tax Clearance Cover Letter*, along with the CDTFA-111/111-B.**
- Information from a request discloses a multiple transfer in which the prior owner did not register the vehicle or vessel after a prior sale (intervening owner). Copies of documentation on all parties involved should be forwarded to CUTS.**
- A CDTFA-111/111-B was issued with a payment plan in place. The taxpayer should be encouraged to file their return online and make their first payment, which will create the account by the next day resulting in subsequent billings automatically being sent to the taxpayer.**

When the person responsible for the account is changed to “Unassigned” in the system, it will automatically route to CUTS. Detailed notes and copies of any documentation submitted by the taxpayer must be entered into the system.

PREPARATION OF THE CDTFA-111 OR CDTFA-111-B

825.040

~~The CDTFA 111 and CDTFA 111 B are press numbered for control purposes. Voided forms will be retained for three years. The forms should be maintained and accessible only to the Receipts Custodian and the Administrator or CUTS Supervisor.~~

~~The use tax clearance certificate is prepared only in original and is delivered to the person requesting the clearance. The certificate is to be typewritten. If an error is made, a new form must be prepared. Any alteration or erasure voids the certificate.~~

The CDTFA-111/111-B forms are press-numbered for control purposes. Voided forms will be retained for three years. The forms should be maintained and accessible only to the Cashier and the Administrator in field offices or by the CUTS Supervisors.

Only the original CDTFA-111/111-B certificate is prepared and delivered to the person requesting the clearance. The certificate is to be typewritten. If an error is made, a new form must be prepared. Any alteration or erasure voids the certificate.

The ~~Certificate of Use Tax Clearance~~ **CDTFA-111/111-B** is completed to show the following:

1. Name of the applicant as it will appear on the vehicle/~~vessel~~, mobilehome,~~or~~ commercial coach, **or undocumented vessel** registration records.
2. Make, year and model of the vehicle or **undocumented** vessel.
3. License, decal or CF number.
4. Vehicle, hull identification number or serial number.
5. Date of issuance.
6. Issuing office.

~~The CDTFA-111 and CDTA-111-B are issued by field office staff or staff in CUTS authorized by the Administrator or CUTS Supervisor. A list of employees authorized to sign and issue certificates must be maintained in each office. The person who approves the CDTFA-106 is also authorized to sign the CDTFA-111. However, if an authorized person prepares and approves the CDTFA-106, a different authorized person must sign the CDTFA-111. Rubber stamp signatures will not be used.~~

The CDTFA-111 and CDTFA-111-B are issued by field office or CUTS team members authorized by the Administrator or a CUTS Supervisor. A list of employees authorized to sign and issue certificates must be maintained in each office. The person who approves the clearance request is also authorized to sign the CDTFA-111/111-B. Rubber stamp signatures cannot be used.

A single CDTFA-111/111-B ~~may~~**can** be issued for bulk transfers. The following should be noted on the CDTFA-111/111-B (under year model and VIN areas): "See Attached Schedule" and attach the schedule to the CDTFA-111/111-B.

The CDTFA-111/111-B will be issued with the appropriate letter:

- **CDTFA-111-AT, Certificate of Use Tax Clearance Cover Letter, for test period not expired**
- **CDTFA-939, Response to Request for Certificate of Use Tax Clearance and IPA, for issuance of clearance, for registration only and payment plans**
- **CDTFA-902, Certificate of Use Tax Clearance Cover Letter, for issuance of clearance, for general requests with no special circumstances and requests with multiple vehicles or vessels.**

~~After the CDTFA-111/111-B is issued, the press number of the form and the name of the employee who signs the form are entered on the respective lines of the CDTFA-106. In those situations where the use tax is collected when the CDTFA-111 or CDTFA-111-B is issued, the certificate press number should be entered on the tax return below the name and address of the taxpayer.~~

After the CDTFA-111/111-B is issued, copies of the CDTFA-111/111-B and the signed letter are uploaded into the system.

In those situations where the CDTFA-111/111-B is issued, the certificate press-number must be entered on the Vehicle/Vessel Use Tax Clearance Request case.

FIELD OFFICE RESPONSIBILITIES

840.000

VOLUNTARY PAYMENTS

840.005

~~If a taxpayer wishes to make a voluntary payment of use tax on any CUTS program prior to receiving a return from CUTS, he or she should not be told to wait for a notice from the CDTFA before making payment. Such a delay could result in penalty and/or interest charges incurred. Any payment, when offered, should be accepted along with a completed use tax return signed by the taxpayer. If a return form is not available, include as much of the following information as possible in writing, along with payment:~~

If a taxpayer wishes to make a voluntary payment of use tax on any CUTS program prior to receiving a return from CUTS, do not advise the taxpayer to wait for a notice from the CDTFA before making payment. Such a delay could result in penalty and/or interest charges incurred. Advise taxpayers to file and pay their use tax online through the CDTFA website. Any payment received in a field office must be accepted along with a completed use tax return submitted online by the taxpayer. If a return was not completed online, as much of the following information as possible should be included in writing, along with payment:

1. Taxpayer's name, address and daytime phone number.
2. Purchase date.
3. Purchase price and a copy of the bill of sale.
4. Registration number (license plate number, CF number, USCG documentation number, tail or "N" number).
5. Make, model, year, serial number or VIN, or Name (documented vessel).
6. Item location/situs (where it is registered, moored, berthed, tied down, or hangared).
7. **AnyAll** available information on the seller.

~~Staff should~~**Team members must** confirm the correct tax rate is used. The applicable tax rate for vehicles and mobilehomes is the rate in effect on the date of purchase or the date the property entered California for the district in which the taxpayer's address is located. For documented vessels and aircraft, the applicable tax rate is the rate in effect in the district of actual situs. (Refer to the appropriate CUTS program section for due dates.)

~~For on-line remittances, field staff should create a Taxpayer Identification Number (TIN) and add a comment on the TIN record identifying:~~

- ~~1. Amount of payment received.~~
- ~~2. Remittance ID number.~~
- ~~3. Information regarding transaction as outlined above. (This information is necessary for the creation of taxable activity registration by CUTS.)~~

For payments made in a field office, notes must be added to the case identifying the:

- 1. Amount of payment received, and**
- 2. Information regarding transaction as outlined above.**

A copy of the On-Line Remittance Tally Report should be forwarded to CUTS, MIC: 37. Attach ~~a printout of the Client Maintenance screen and~~ any documentation presented by the taxpayer (e.g. bill of sale, etc.) for each payment. The tear-out portion of Publication 79 and 79A for vessels and aircraft, respectively, can also be used. ~~Attach~~

~~the completed portion to the Client Maintenance screen print and a comment identifying the amount and remittance ID number.~~