



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.

New Reporting Requirement for Retailers of Electronic Cigarettes

Beginning July 1, 2022, [Senate Bill \(SB\) 395](#) (Stats. 2021, ch. 489) requires retailers of electronic cigarettes to collect from purchasers an additional California Electronic Cigarette Excise Tax (CECET) at the rate of 12.5 percent of the sales price of electronic cigarettes containing nicotine. If your client has an active Cigarette and Tobacco Products Retailer's License (CRL) and indicated that they sell electronic cigarettes containing nicotine, we will automatically register them for a CECET account. We will notify your client by mail once the CECET account has been created. Your client's first CECET return for sales of electronic cigarettes containing nicotine for the period July 1, 2022, through September 30, 2022, will be due October 31, 2022. If your client no longer sells electronic cigarettes containing nicotine, please call our Customer Service Center at 1-800-400-7115 (CRS:711) to update their account.

If your client is a retailer of electronic cigarettes containing or sold with nicotine but is not automatically registered for a CECET account, they are responsible for registering for an account. Beginning June 1, 2022, your client may register for a CECET account using our Online Services Portal:

1. Visit onlineservices.cdtfa.ca.gov/.
2. Log in to your account with your username and password.
3. Select *More* under the *I Want To* section.
4. Select *Register a New Business Activity*.
5. Follow the prompts to complete the account registration process.

We will issue a special notice, and our *Tax Guide for Cigarettes and Tobacco Products*, at www.cdtfa.ca.gov/industry/cigarette-and-tobacco-products.htm, will be updated as more information is available.



Diapers and Menstrual Hygiene Products

The temporary sales and use tax exemption for sales of specified diapers and menstrual hygiene products, effective January 1, 2020, was made permanent on July 16, 2021, by [Assembly Bill \(AB\) 150](#) (Stats. 2021, ch. 82). Retailers should not charge or collect sales or use tax on the sales of these items.

Sign Up Now

Earlier this year, we started phasing out our Limited Access Codes. If you currently file returns on behalf of your clients with a sales and use tax account or other CDTFA account(s) using our online system, and do not have a username and password, please *Sign Up Now* at onlineservices.cdtfa.ca.gov.

Once you are granted access, the online services portal provides you access to file tax returns, request filing extensions, make payments, file appeals, request payment plans, submit claims for refunds, and request relief of penalties and interest. It is also a great tool to keep up to date on your clients' accounts. You will be able to see the status of relief requests as well as view and print previously mailed letters, payments, filed reports, and returns for your clients' accounts.

Video tutorials about logging in and requesting access to clients' accounts are available on our website at www.cdtfa.ca.gov/services/#loggingToggle.



Audit Manual Updates

We are updating our manuals to incorporate new procedures for our new computer system. We rewrote Audit Manual Chapter 3, *Audit Working Papers*, and are in the process of revising Chapter 2, *Preparation of Field Audit Reports*, and Chapter 7, *Reaudit Reports and Revised Audit Reports*.

For our most current version of the *Audit Manual*, please visit our *Guidelines/Manuals – Sales & Use Tax, Special Taxes and Fees* webpage at www.cdtfa.ca.gov/taxes-and-fees/staxmanuals.htm.

New Local Charge Rate for San Francisco Retail Sales of Prepaid Mobile Telephony Services Effective April 1, 2022

Effective April 1, 2022, the new local prepaid Mobile Telephony Services (MTS) rate for the City and County of San Francisco is 15 percent. Sellers are required to collect, report, and pay local charges on their retail sales of prepaid MTS. In addition to any applicable local charges, sellers are required to collect the Emergency Telephone Users (911) Surcharge on each retail transaction of prepaid MTS as a flat rate fee (the current rate is set at 30 cents (\$0.30) per transaction and will remain the same for the calendar year 2022). The current 911 surcharge rate and local charge rates for each locality are available on our *911 Surcharge and Local Charge Rates* webpage at www.cdtfa.ca.gov/taxes-and-fees/mts.htm.

For more information about the 911 surcharge and how local charges apply, please view our *Tax Guide for Sellers of Prepaid Mobile Telephony Services and Telecommunication Service Suppliers*, at www.cdtfa.ca.gov/industry/seller-servicesupplier.htm#Overview.



Interest and Penalty Changes for the Timber Yield Tax Program

SB 824 (Stats. 2021, ch. 432) was recently signed into law, revising the method of determining the interest on timber yield tax late payments, underpayments, and overpayments from using a daily rate to a monthly rate.

In certain cases, we may compute the timber yield tax interest due on a daily basis, provided:

- The payment was made by electronic means (such as Electronic Funds Transfer (EFT), credit card, or ACH debit through our online services) and was made no more than one business day after the due date,
- The taxpayer was granted relief from all penalties that applied to the tax payment, and
- The taxpayer filed a request with us for an adjustment to the interest computation.

Additionally, the timber yield tax late file and late pay penalties have been modified to the following:

- Late file penalty – One hundred dollars (\$100) if the tax return is not filed by its due date.
- Late pay penalty – Ten percent of the tax amount due if the tax is not paid by its due date.
- Late file and late pay penalty – Ten percent or one hundred dollars (\$100), whichever is greater, if the tax return is not filed and the tax is not paid by its due date.

For more information about the timber yield tax, please see our *Tax Guide for Timber Yield Tax*, at www.cdtfa.ca.gov/taxes-and-fees/timber-tax.htm.

New Requirement for Marketplace Facilitators Begins January 1, 2022

Beginning January 1, 2022, **AB 1402** (Stats. 2021, ch. 421) requires marketplace facilitators that are already required to collect and pay the sales tax due on third-party sellers' sales to Californians to also collect and remit the following fees we administer:

- California Battery Fee
- California Tire Fee
- Covered Electronic Waste Recycling (eWaste) Fee
- Lumber Products Assessment



For more information on marketplace sellers, please see our *Tax Guide for Marketplace Facilitator Act*, at www.cdtfa.ca.gov/industry/MPFAct.htm.

How to Request Approval for Destruction of Spoiled Beer or Wine

If your client is a registered beer and wine importer, beer manufacturer, or winegrower, they can submit a request for destruction of spoiled beer or wine by completing **CDTFA-775**, *Approval Request and Declaration of Destruction for Spoiled Beer or Wine*, and email it to us at CDTFA775@cdtfa.ca.gov.

We will review your client's request and contact your client or their designee if we determine a supervised destruction is required or if any supporting documents need to be provided. After receiving approval from us and destroying the designated beer and/or wine, an exemption or credit can be claimed on your client's return. An exemption or credit may not be claimed without prior approval.

For more information regarding alcoholic beverage taxes and who can claim an exemption or credit for beer or wine destruction, please see our *Tax Guide for Alcoholic Beverage*, at www.cdtfa.ca.gov/taxes-and-fees/alcoholic-beverage-tax.htm.





Cannabis Trade Samples

A new California law allows for certain cannabis licensees to provide cannabis trade samples to other licensees for targeted advertising of cannabis or cannabis products. Cannabis taxes do not apply to cannabis or cannabis products provided to other cannabis licensees as trade samples. See [AB 141](#) (Stats. 2021, ch. 70).

For more information regarding the application of cannabis taxes to cannabis trade samples and for documentation guidance, please view the *Cannabis Trade Samples* section under each tab in our *Tax Guide for Cannabis Businesses*, at www.cdtfa.ca.gov/industry/cannabis.htm.



Changes to Hazardous Waste Fee Programs Beginning January 1, 2022

[SB 158](#) (Stats. 2021, ch. 73) makes major changes to the Department of Toxic Substances Control (DTSC) and creates the Board of Environmental Safety in DTSC. SB 158 also makes major fee reforms and revises the hazardous waste facility, generator, environmental, and disposal fees administered by us.

For more information, please see our *Hazardous Substances (Waste) Fee Guide*, at www.cdtfa.ca.gov/taxes-and-fees/haz-sub-fee.htm, and our special notices available under the guide's *Resources* tab. The guide will be updated as more information becomes available.



New and Revised Cigarette and Tobacco Products Regulations

The new Regulation 4077, *Tobacco Product Manufacturer*, defines a tobacco product manufacturer and clarifies when a tobacco retailer is and is not a tobacco product manufacturer. A tobacco retailer who is not licensed as a tobacco product manufacturer, importer, or distributor must purchase tobacco products from a licensed tobacco products distributor or wholesaler.



Updates to Regulation 4076, *Wholesale Cost of Tobacco Products*, provide clarification on calculating the wholesale cost of tobacco products for tax purposes.

For more information, please see Regulation 4077, *Tobacco Product Manufacturer*, at www.cdtfa.ca.gov/lawguides/vol3/ctptr/ctptr-reg4077.html, and Regulation 4076, *Wholesale Cost of Tobacco Products*, at www.cdtfa.ca.gov/lawguides/vol3/ctptr/ctptr-reg4076.html.

Reminder of Oil Spill Prevention and Administration Fee Registration and Reporting Requirements for Renewable Fuel Facility Operators

As of July 22, 2021, renewable fuel production facility operators and renewable fuel receiving facility operators (RF facility operators) are required to register with us for an Oil Spill Prevention and Administration (OSPA) Fee account. RF facility operators are required to collect the OSPA fee from the owner, file monthly returns online, and pay the fee to us. See [AB 148](#) (Stats. 2021, ch. 115).

Registration is available on our website at www.cdtfa.ca.gov by selecting the *Login/Register* button. Under the *Registration* heading, choose *Register a New Business Activity*.

For more information on the new registration and reporting requirements, please see our special notice, *Renewable Fuel Registration and Reporting Requirements for the Oil Spill Prevention and Administration Fee*, at www.cdtfa.ca.gov/formspubs/L821.pdf. For more details about the OSPA fee, please see our *Oil Spill Prevention and Administration Fee & Oil Spill Response Fee Guide*, at www.cdtfa.ca.gov/taxes-and-fees/oil-spill-prev-resp-adm-fee.htm.



Special Tax and Fee Rates Update

Cannabis Excise Tax Mark-up Rate

The cannabis mark-up rate will remain at 80 percent for the period of January 1, 2022, through June 30, 2022.

Cultivation Tax Rates

Beginning January 1, 2022, the [cultivation tax rates](#) reflect an adjustment for inflation as required by the Cannabis Tax Law as follows:

- Cannabis flower rate increased to \$10.08 per dry-weight ounce (from \$9.65 per dry-weight ounce).
- Cannabis leaves rate increased to \$3.00 per dry-weight ounce (from \$2.87 per dry-weight ounce).
- Fresh cannabis plant rate increased to \$1.41 per ounce (from \$1.35 per ounce).

911 Surcharge Rate

The 911 surcharge rate will remain at 30 cents (\$0.30) for the year 2022.

Please visit our *Tax Rates – Special Taxes and Fees* webpage at www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm to see current and historical rate information.

2022 International Fuel Tax Agreement License Renewal Process Is Underway

The 2022 renewal process for the International Fuel Tax Agreement (IFTA) accounts began on December 1, 2021. Credentials for 2021 expired on December 31, 2021, but if your client has requested to renew their license for 2022 on or before December 31, 2021, your client may qualify for the grace period. This grace period only applies if your client has filed all IFTA returns, paid all amounts due, and renewed their credentials on time.

If your client is not covered by the grace period or does not have valid credentials, they must purchase a California Fuel Trip Permit when entering or reentering California and traveling into or through other jurisdictions. Failure to comply may result in the assessment of a penalty. The penalty is in addition to the purchase of a California Fuel Trip Permit.

To verify and update your client's account information, please log in to your account at www.cdtfa.ca.gov. If you have any questions, please 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.



Changes to Employment Status

On January 1, 2020, [AB 5](#) (Stats. 2019, ch. 296) took effect, and the ABC test replaced the common law test for determining whether a worker is an employee or independent contractor in California. AB 5 and subsequent legislation introduced exceptions from the ABC test for occupations, industries, and contracting relationships if certain criteria are met. Additionally, due to Proposition 22, effective December 16, 2020, app-based drivers for network companies are independent contractors and not employees if certain conditions are met.

For more information on employment status, please visit the California Labor & Workforce Development Agency's *Employment Status Portal*, at www.labor.ca.gov/employmentstatus/, or the Employment Development Department's *AB 5 - Employment Status* webpage, at edd.ca.gov/Payroll_Taxes/ab-5.htm.



New Online Filing Requirements Starting January 1, 2022

Beginning January 1, 2022, [SB 824](#) (Stats. 2021, ch. 432) requires electronic filing of returns and reports for the following programs:

- Cigarette and Tobacco Products Tax
- Emergency Telephone Users (911) Surcharge

Please create a username and password by going to our *Online Services* webpage at onlineservices.cdtfa.ca.gov to *Sign Up Now*.

For assistance creating a username and password, and filing online, please view our video tutorials at 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.

Thank you for connecting with us.

