



CDTFA
CALIFORNIA DEPARTMENT OF
TAX AND FEE ADMINISTRATION

Closing Out Your Account

Preface

As a retailer, you knew the importance of registering for permits, licenses, and accounts when you started a business. It is equally important to know that you must inform the California Department of Tax and Fee Administration (CDTFA) to close out your account(s) when any one of the following occurs:

- You are no longer actively engaged in business.
- You no longer sell prepaid mobile telephony services.
- You qualify as a small seller of prepaid mobile telephony services and you decide not to voluntarily collect the local charge from your customers on and after January 1, 2017.
- You sell your business or stock of goods to someone else.
- You change the type or form of ownership for your business (for example, from a sole proprietorship to a corporation or partnership).
- You add a new partner or a partner leaves the business, and your partnership agreement calls for dissolution of the partnership and the formation of a new partnership when a change in partners occurs.

If you fail to notify us of these changes, you may be held liable as a predecessor for taxes, fees, surcharges, interest and/or penalties which are incurred by a successor entity even though you cease to own or operate the business.

This publication covers the following topics related to closing out your account:

- Notifying the CDTFA.
- Filing your final tax, fee, or surcharge return.
- Sales after closing out your account.
- Successor's liability and tax clearances.
- Changes in ownership.

If you have questions that are not answered in this publication, please visit www.cdtfa.ca.gov or 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. and 5:00 p.m. (Pacific time), except state holidays.

We welcome your suggestions for improving this or any other publication. If you would like to comment, please provide your comments or suggestions directly to:

Audit and Information Section, MIC:44
California Department of Tax and Fee Administration
PO Box 942879
Sacramento, CA 94279-0044

Please note: This publication summarizes the law and applicable regulations in effect when the publication was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this publication and the law, the decision will be based on the law and not on this publication.

Notifying the CDTFA

If you sell your business, change partners, or close out your business, you should let us know. The following information may be needed before we can close out your account:

- The date you stopped being actively engaged in business.
- Your reason for not being actively engaged in business.
- The names of any partners who have dissociated from or have been added to the partnership with effective dates.
- The means you used to dispose of your resale inventory, furniture, fixtures, and equipment. If you sold any of these items, you must disclose the selling price. If you sold your entire business, a portion of your business, or all or substantially all your resale inventory, you need to provide the selling price, name of the buyer, and a copy of the bill of sale or purchase agreement with the amount of the purchase price.
- The purchase price of retained inventory.
- Your current address, daytime telephone number, and email address.
- The address where you retain your books and records.
- Your business website address, if available.

You can use our [Online Services Portal](#) to close your account(s) if you are registered in our Online Services system. However, if you use a Limited Access Code to file your returns or do not have an online account with us, then you would need to use the enclosed [CDTFA-65, Notice of Closeout](#), to notify us. The form will be reviewed by staff, who will contact you if additional information is required. If no additional information is necessary, staff will close out your account.

You must also file your final return and any prior returns which you have not yet filed, and make any payments for amounts still owed. To expedite your closeout, you should file these returns on our Online Services Portal and pay any tax, fee, surcharge, penalties, and interest due. We recommend you pay using certified funds. If you pay by personal check and cannot provide a copy of the cancelled check, it may take eight or more weeks to complete the closeout of your account. Accounts required to make their tax, fee, or surcharge payments by EFT must also make their final payments through the EFT process.

After you have paid your entire liability (including liabilities resulting from an audit), staff will return any security you have on deposit. It is important to remember that even after providing all required information and closing your account, you must keep your business records for four years.

Filing your final tax, fee, or surcharge return

Even though you have closed out your account, you must still report your sales up to the closeout date. This includes any sales of furniture, fixtures, or equipment that occurred as part of the closure or sale of your business. You must also report and pay tax on any inventory you retain for your own use, that you purchased without payment of any tax, fee, or surcharge.

To help expedite the closeout you should separately report and identify the sale of fixtures and equipment and retained inventory on your final return.

Sales of inventory to another retailer or to the purchaser of your business for resale are not taxable and should be reported as *Sales to Other Retailers for the Purpose of Resale* on your return. A resale certificate should be obtained from the buyer and saved with your records.

Normally, you may file your final return on its regular monthly or quarterly due date. However, if you report annually, you must file the final return by the due date of the quarter in which you close out your account.

Closing out your account and filing your final return does not relieve you of a liability for any unpaid tax, fee, or surcharge whether reported or unreported. You are required to pay all taxes, fees, or surcharges incurred for the period you were actively engaged in business.

If the business is a corporation, partnership, limited partnership, limited liability partnership, or limited liability company which has added or included tax as part of the price of the property sold, or owes use tax, corporate officers or other persons may be held personally liable for unpaid tax in accordance with [Revenue and Taxation Code \(R&TC\) section 6829](#) and [Regulation 1702.5, Responsible Person Liability](#).

If you think you may have difficulty paying tax that is due, you should contact the local office handling your account.

Taxable sales after closing out your account

Before requesting the close out of your account, you should be sure that you do not make additional taxable sales. Under the Sales and Use Tax Law, generally, any person that makes three or more sales of [tangible personal property](#) (including retained inventory, fixtures, or equipment) in any 12-month period is required to register with the CDTFA and to report and pay any tax, fee, or surcharge due.

In certain cases, a single sale of fixtures and equipment which occurs after the close out can also be taxable. A retail sale which occurs within 60 days of closeout is normally considered taxable unless you can prove that the sale was not contemplated at the closeout date. A sale that occurs after 60 days, but within one year of closeout, is taxable if any of the following are true:

- There was a contract of sale at the closeout date.
- A lease with an option to buy existed at the closeout date.
- There is evidence that a plan existed to sell the fixtures and equipment in due course.

You are liable for use tax if you make personal or business use of property purchased without tax, such as, resale inventory. You are required to report and pay use tax on the cost of such property.

Sales of Business Assets – Fixtures, Equipment, and Inventory

In California, retail sales of tangible personal property, including business assets, are generally subject to tax unless exempted or excluded by statute. Pursuant to [Revenue and Taxation Code section 6367](#) and [Regulation 1595, Occasional Sales—Sale of a Business—Business Reorganization](#), occasional sales are generally exempt from tax. Under the occasional sales exemption, tax does not apply to the sale of business assets that are held or used in the course of any activity not requiring you to hold a seller's permit, unless the asset sale is one of a series of sales sufficient in number, scope, and character to require you to hold a seller's permit. Generally, if you make more than two asset sales for substantial amounts within a 12-month period, you will be required to register for a seller's permit and collect applicable tax. See Regulation 1595 for more information.

Example:

If you operate a service-based business, such as a laundromat, that does not require you to hold a seller's permit, and you make two sales of business assets such as a washing machine and a press for substantial amounts within a 12-month period, on February 23, 2020, and August 16, 2020, these two sales may be considered occasional sales and exempt from tax. If you make two additional sales of other business assets on January 8, 2021, and February 8, 2021, for substantial amounts, these sales may not be occasional sales since they are the third and fourth sales in a series of sales within the same 12-month period as the first two sales. In this example, the third and subsequent sales made during the same 12-month period as the first two sales will likely result in you being required to hold a seller's permit and be subject to tax, unless otherwise exempt.

In California, if you are engaged in the business of selling tangible personal property of a kind that would be subject to tax, you must register with the CDTFA to obtain a seller's permit ([Regulation 1699, Permits](#)). Both wholesalers and retailers must register for and obtain a permit. When a business that holds a seller's permit sells their fixtures and equipment to a third party, sales tax will generally apply to the sale of those fixtures and equipment.

Sales of Inventory for Resale

If you sold assets, such as inventory, to a third party that purchased the inventory for the purposes of resale and you were provided with a valid and timely resale certificate, then the transaction is a sale for resale and not subject to tax ([Regulation 1668, Sales For Resale](#)).

Service Businesses That Only Make Incidental Sales of Tangible Personal Property

If you are predominantly a service-based business that holds a seller's permit for your incidental sales of merchandise and you made a sale of business assets to a third party, tax generally only applies to the sales of the business assets sold that were held or used in the retail portion of the business, that is, the part of the business that required you to obtain a seller's permit.

For example, a barber shop's primary activity is generally performing a non-taxable service (cutting hair). If a business, such as a barber shop, also engages in an incidental selling activity (such as selling hair care products) which requires the barber shop to hold a seller's permit, only the sale of business assets held or used in the activity requiring the seller's permit (selling hair products) is taxable. Accordingly, a seller of a barber shop would owe tax on sales of assets held or used for purposes of making retail sales of hair care products, such as, display cases, shelves, computers, cash registers, and any other similar assets. However, tax would generally not apply to sales of business assets held or used for purposes of rendering hair cutting services such as trimmers and blow dryers.

If you are not required to hold a seller's permit, the sale of your business assets are not be subject to tax, unless the sale is one of a series of sales requiring you to hold a seller's permit as discussed above.

Determining the Value of Fixtures and Equipment (F&E)

When you, the seller, have agreed with the buyer on a specific price for the sale of taxable F&E, then that specific price should be used to determine the taxable amount to be reported on your sales and use tax return. In instances where there is a bulk sale of a business and the parties have not agreed to a specific price for the sale of taxable F&E, the parties have implicitly agreed to buy and sell the F&E at its current value. In this case, to determine the sales price of taxable F&E, you should use the book value. If the book value is not available, you can use the appraised value for property tax purposes or value determined by an independent appraisal.

Successor's liability and tax clearance

If you are buying a business, you need to be aware of successor's liability. The buyer of a business or stock of goods can be held personally liable for the outstanding tax liabilities of the seller. Please see [Regulation 1702](#), *Successor's Liability*.

Generally, the buyer of a business or stock of goods must withhold from the purchase price an amount sufficient to cover the seller's outstanding liability for tax, interest, and penalties, if any. If a sufficient amount is not withheld, the buyer may be held personally liable for the amount that should have been withheld, up to the purchase price of the business or stock of goods.

The buyer will be released from its obligation to withhold the purchase price if it obtains a certificate of tax clearance from the CDTFA stating that no taxes, interest, or penalties are due from the seller.

You, as a buyer, can expedite the clearance process by promptly filing a tax clearance request, or if you are buying a business through an escrow company, you should ensure that the escrow company requests the certificate on your behalf. To complete the tax clearance online, go to our Online Services portal at www.cdtfa.ca.gov, select the *Login/Register* tab, and then select the *Request a Sales Tax Clearance* function. Alternatively, you can submit a written request for a tax clearance to your local CDTFA office.

The following is a list of information to include in your written request for a tax clearance:

- The name, address, and telephone number of the purchaser.
- The name, address, and telephone number of the seller.
- The business address. If the business has more than one location and the purchaser is buying one or more locations, but not all the locations, each location for which a tax clearance is requested must be listed. If the business has more than one location and all the locations are being purchased, please note that in the request.
- A copy of the bill of sale or purchase agreement with the amount of purchase price.
- The name of the escrow company and escrow number, if applicable.
- The date the business was purchased.

You should also remember that:

- If you need a tax clearance to complete the sale of a business, remember that it can take 60 days or more to obtain a clearance, especially if an audit is required and the seller's books and records are not immediately available for review.
- The liability of a successor does not replace the seller's primary liability for unpaid tax, interest, or penalties. We will generally only try to collect from a successor if unable to do so from the seller of the business.
- The amount of money the seller actually receives on the sale of its business may be reduced by the amount it owes. If the seller owes tax, it will be advised to pay the amount due and we will notify the escrow company of the amount to withhold from the purchase price to cover the liability. This liability must be paid to the CDTFA, including the tax due on the sale of any furniture, fixtures, and equipment, before a certificate of tax clearance is issued.

Changes in ownership

If you plan to change the ownership of your business or have already done so, you should contact our Customer Service Center. Failure to notify us of a change in ownership can make you liable for the taxes owed by the new owner(s).

If you continue to operate your business but change its form of ownership, you are required to obtain a new account. An account is valid only for the business entity (such as a sole proprietorship, partnership, corporation, limited liability company, or joint venture) in whose name it was issued and certain changes in ownership will invalidate it. For example, a new account is required when:

- A partnership adds or drops a partner and the partnership agreement requires that a new partnership be formed.
- There is a change in marital status for a married co-ownership.
- There is a change in the status of a registered domestic partnership.
- Your business converts from one type of organization (such as those named above) to another type of organization.
- A corporate reorganization or merger results in a new corporation.

Since some changes in ownership might also include taxable transfers of tangible personal property, we recommend you contact us before making the change. We can review the planned change and inform you if the transfers of tangible personal property are subject to tax and if you will need a new account.

For More Information

For additional information or assistance, please take advantage of the resources listed below.

CUSTOMER SERVICE CENTER

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. In addition to English, assistance is available in other languages.

OFFICES

City	Telephone Number
Bakersfield	1-661-395-2880
Cerritos	1-562-356-1102
Culver City	1-310-342-1000
El Centro	1-760-352-3431
Fairfield	1-707-862-3501
Fresno	1-559-440-5330
Glendale	1-818-543-4900
Irvine	1-949-440-3473
Oakland	1-510-622-4100
Rancho Mirage	1-760-770-4828
Redding	1-530-224-4729
Riverside	1-951-680-6400
Sacramento	1-916-227-6700
Salinas	1-831-754-4500
San Diego	1-858-385-4700
San Francisco	1-415-356-6600
San Jose	1-408-277-1231
Santa Clarita	1-661-222-6000
Santa Rosa	1-707-890-6267
Ventura	1-805-856-3901
West Covina	1-626-671-3702

Out-of-State Offices

Chicago, IL	1-312-201-5300
Houston, TX	1-713-739-3900
New York, NY	1-212-697-4680
Sacramento, CA	1-916-227-6600

Motor Carrier Office

West Sacramento, CA	1-800-400-7115
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INTERNET

www.cdtfa.ca.gov

You can visit our website for additional information—such as laws, regulations, forms, publications, industry guides, and policy manuals—that will help you understand how the law applies to your business.

You can also verify seller's permit numbers on our website (see [Verify a Permit, License, or Account](#)).

Multilingual versions of publications are available on our website at www.cdtfa.ca.gov.

Another good resource—especially for starting businesses—is the California Tax Service Center at www.taxes.ca.gov.

TAX INFORMATION BULLETIN

The quarterly *Tax Information Bulletin* (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current TIBs on our website at www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm. Sign up for our [CDTFA updates](#) email list and receive notification when the latest issue of the TIB has been posted to our website.

FREE CLASSES AND SEMINARS

We offer free online basic sales and use tax classes including a tutorial on how to file your tax returns. Some classes are offered in multiple languages. If you would like further information on specific classes, please call your local office.

WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

For written advice on general tax and fee information, please visit our website at www.cdtfa.ca.gov/email to email your request.

You may also send your request in a letter. For general sales and use tax information, including the California Lumber Products Assessment, or Prepaid Mobile Telephony Services (MTS) Surcharge, send your request to: Audit and Information Section, MIC:44, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0044.

For written advice on all other special tax and fee programs, send your request to: Program Administration Branch, MIC:31, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0031.

TAXPAYERS' RIGHTS ADVOCATE

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see [publication 70](#), *Understanding Your Rights as a California Taxpayer*, or contact the [Taxpayers' Rights Advocate Office](#) for help at 1-916-324-2798 or 1-888-324-2798. Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0070.

Regulations, forms, publications, and industry guides

Lists vary by publication

Selected [regulations](#), [forms](#), [publications](#), and [industry guides](#) that may interest you are listed below. Spanish versions of certain publications are also available online.

Regulations

- [1595](#) *Occasional Sales–Sale of a Business–Business Reorganization*
- [1596](#) *Buildings and Other Property Affixed to Realty*
- [1699](#) *Permits*
- [1702](#) *Successor's Liability*

NOTICE OF CLOSEOUT

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

INSTRUCTIONS: Please provide the following information to assist us in closing your account(s), releasing security, or issuing an escrow clearance. If you have a seller's permit, before completing this form, you should refer to a copy of the California Department of Tax and Fee Administration (CDTFA) publication 74, *Closing Out Your Account*. Publication 74 contains important information about closing out your permit. If you have any questions, please call our Customer Service Center at 1-800-400-7115 (CRS:711).

SECTION I: ACCOUNT INFORMATION

NAME		ACCOUNT NUMBER(S)
CURRENT ADDRESS (street address)		DAYTIME TELEPHONE NUMBER ()
CITY	STATE	ZIP CODE

SECTION II: CLOSEOUT INFORMATION (see back for instructions)

1. Date business was closed _____
 2. Did you make any purchases for your own use using your seller's permit? YES NO
If YES, did you pay tax on those purchases to: a. your vendor b. the CDTFA
 3. If applicable, remaining inventory, purchases for resale, or purchases from out-of-state vendors without payment of tax were:
 a. Sold and Reported on Final Return b. Retained c. Included in an Audit d. Donated to _____
 e. Sold for Resale (Purchaser's Account Number: _____) f. Other _____
 4. Do you have a prepaid Mobile Telephony Services (MTS) account? YES NO
a. Date you discontinued selling prepaid phone cards and/or services _____
b. If you qualify as a small seller, date you want your account closed out _____
 5. Your forwarding address and telephone number _____

 6. Location of your books and records _____
 7. Was the business sold? YES NO
a. Date the business was sold _____
b. Total sales price \$ _____
c. Name, address, and telephone number of the **purchaser** _____

 - d. Did you sell the fixtures and equipment (F&E)? YES NO If no, proceed to line h.
e. Selling price of F&E \$ _____
f. Did the sale of F&E occur at the place of business that was sold? YES NO
g. If not, provide address for the place of business where the sale took place _____

- Note:* If you sold your fixtures and equipment, even if you did not sell your business, you must include the selling price of these items on your final return under "Purchases Subject to Use Tax".
- h. Escrow number _____
 - i. Name, address, and telephone number of escrow company _____

SECTION III: SIGNATURE

SIGNATURE	PRINT NAME AND TITLE	DATE
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NOTICE OF CLOSEOUT

SECTION IV: LIST OF ITEMS NEEDED FOR CLOSEOUTS

The following items may be needed to finalize the closing of your account(s), the releasing of any posted security, or issuing of an escrow clearance.

- Payments of any other outstanding balances due.
- Your final tax return with payment (if a return is not available, call 1-800-400-7115 [CRS:711]). Payment of any amounts due must be made in certified funds in order to expedite finalizing your transaction. If you are required to make payments by Electronic Funds Transfer (EFT), you must also make your final payment through the EFT process.
- A copy of your escrow instructions or bill of sale showing the value of inventory, fixtures, and equipment sold.

Send this completed form and your supporting documents to:

**California Department of Tax and Fee Administration
Customer Service Center
PO Box 942879
Sacramento, CA 94279-0090**

SECTION V: INSTRUCTIONS

If the items listed below do not pertain to your closeout and you have completed Sections I and II, and signed in Section III, send this document to the appropriate CDTFA office. See publication 74 for a list of CDTFA office locations.

Small Sellers—A “small seller” is a prepaid MTS seller (other than a telecommunication service supplier) who made less than the annual threshold of sales of prepaid MTS in the previous calendar year. Beginning January 1, 2017, small sellers are no longer required to charge and collect the prepaid MTS surcharge from their customers. For sellers that have more than one location, the sales of prepaid wireless services and products from all locations must be used to determine their annual sales. Small sellers are responsible for maintaining records to show that their annual sales are below the annual threshold.

Location of your books and records—The location of your books and records is important for audit purposes. Audits are important because they protect the state against an underpayment and protect the taxpayer against an overpayment.

Copy of your escrow instructions or bill of sale—These documents show the value of inventory, fixtures, and equipment sold. If a sale of fixtures and equipment is not considered at the date of closeout, a subsequent single sale of the fixtures may be treated as an occasional sale. The single sale of fixtures and equipment subsequent to the date of closeout is taxable if either:

1. The sale occurs within 60 days of the date of closeout and the taxpayer cannot establish that the sale was not contemplated at the time of closeout; or
2. The sale takes place after 60 days and within one year of the closeout date, and:
 - a. A contract of sale existed at the date of closeout, or
 - b. A lease with an option to buy exists, or
 - c. Arrangements have been made for a plan to sell the fixtures and equipment in due course.

If these items are not provided, the CDTFA must wait 30 days before refunding any security deposits posted and/or closing your account. If you need assistance in providing any of the items listed above, contact your nearest CDTFA office for detailed instructions.

FOR CDTFA USE ONLY			
Is registration information current?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	F&E? YES <input type="checkbox"/> NO <input type="checkbox"/>
Is a final return filed?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	Inventory? YES <input type="checkbox"/> NO <input type="checkbox"/>
Was a final return provided to taxpayer?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	Is the documentation attached? YES <input type="checkbox"/> NO <input type="checkbox"/>
Are there any delinquencies?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	Unapplied payment? YES <input type="checkbox"/> NO <input type="checkbox"/>

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CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION
MAILING ADDRESS: P.O. BOX 942879 • SACRAMENTO, CA 94279-0001