



## CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

# INFORMATION UPDATE

The article, *Clarifying the Wholesale Cost Basis of Tobacco Products for Out-of-State Licensed Tobacco Products Distributors in Certain Transactions*, appearing on page 9 of this issue has been superseded by our September 2020 Special Notice [L-778](#).



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### FIND ARTICLES OF INTEREST

Select the article title in the *In This Issue* section to move directly to an article of interest. Click on the CDTFA icon in the top left corner of the page to return to the table of contents. Links within the articles will take you to our website where you can find more information on the topic referenced.

### KEEP A COPY FOR YOUR FILES

This electronic format allows you to save the publication to your computer, print the entire publication, or print just the pages that provide information that pertains to your interests.

### STAY INFORMED

This newsletter is published each December. You can also sign up online to receive this newsletter at [Sign Up for CDTFA Updates](#).

For more information regarding special taxes and fees administered by the CDTFA, please go to [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

*Note:* This publication summarizes the law and applicable regulations in effect when the publication was written. 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 law is controlling.



## NEW LEGISLATION



The following is a summary of law changes enacted during the 2019 California legislative session that affect CDTFA special tax and fee programs. The changes described in this article are effective January 1, 2020, unless otherwise noted.

**Assembly Bill (AB) 142** (Stats. 2019, ch. 860). Effective October 13, 2019, with Health and Safety Code section 25215.3 operative on January 1, 2020.

- **Manufacturer battery fee:** On and after January 1, 2020, allows out-of-state manufacturers not otherwise subject to the manufacturer battery fee to pay the fee on behalf of a California importer and claim the associated credits to offset potential lead-acid battery hazardous waste liability. Beginning April 1, 2022, increases the manufacturer battery fee from \$1 to \$2 and removes the sunset date.
- **California battery fee:** On and after January 1, 2020, adds an exemption from the California battery fee for new car dealers that use a replacement lead-acid battery in the sale or lease of a used car.

**AB 205** (Stats. 2019, ch. 60). Revises the definition of beer for purposes of the Alcoholic Beverage Control Act to provide that beer may be produced using honey, fruit, fruit juice or concentrate, herbs, spices, and other food materials as adjuncts in fermentation.

**AB 840** (Stats. 2019, ch. 355). Authorizes the Department of Alcoholic Beverage Control (ABC) to issue a special on-sale general license to the Cal Neva Resort, which would be required to obtain a license from the State of Nevada and the Department of ABC and still be considered a licensee subject to the department's jurisdiction for purposes of enforcement of the provisions of this bill only.

**Senate Bill (SB) 34** (Stats. 2019, ch. 837). Operative upon completion of the necessary changes to the track and trace program to implement the act, or on March 1, 2020, whichever occurs first. Provides that a licensee that is authorized to make retail sales, may provide free cannabis or cannabis products, when specified criteria are met. Exempts from the use tax

medicinal cannabis or medicinal cannabis products donated by a cannabis retailer to a medicinal cannabis patient, or by any cannabis licensee to a cannabis retailer for subsequent donation to a medicinal cannabis patient when specified criteria are met. Excludes from the cultivation tax medicinal cannabis designated for donation by a cultivator in the track and trace system. The use tax and cultivation tax exemptions shall remain in effect until five years after they become operative. If a licensee sells or uses the donated medicinal cannabis product for purposes other than specified, they are liable for the payment of the cultivation tax or the use tax and shall be subject to having their license suspended. Clarifies that the cannabis excise tax is not imposed upon medicinal cannabis or medicinal cannabis products donated for no consideration to a medicinal cannabis patient, as specified.

**SB 39** (Stats. 2019, ch. 295). Requires sellers, distributors, and non-sale distributors to deliver tobacco products only in a container that is conspicuously labeled with the words: "CONTAINS TOBACCO PRODUCTS: SIGNATURE OF PERSON 21 YEARS OF AGE OR OLDER REQUIRED FOR DELIVERY;" and to obtain the signature of a person 21 years of age or older before completing the delivery.

**SB 96** (Stats. 2019, ch. 54). Effective July 1, 2019, revises the Emergency Telephone Users Surcharge Act to impose, on and after January 1, 2020, a monthly surcharge on each access line for which a service user subscribes with a services supplier in California, or a surcharge on each purchase of prepaid mobile telephony services at the time of each retail transaction in California.

**SB 601** (Stats. 2019, ch. 854). Authorizes a state agency that issues any business license to establish a process for a person or business that has been displaced or is experiencing economic hardship as a result of an emergency, as defined, to submit an application for reduction or waiver of fees required by the agency to obtain a license, renew or activate a license, or replace a physical license for display.



## MULTIPLE TAX AND FEE PROGRAMS



### Online services improvements and updates

Currently taxpayers can file, pay, and maintain their accounts using our online services system. On August 12, 2019, we expanded our online services to include the following tax and fee programs:

- Alcoholic Beverage Tax
- Cigarette and Tobacco Products Tax
- Cigarette and Tobacco Products Licensing (Distributors, Importers, Manufacturers, Wholesalers)
- Fuel Taxes (Aircraft Jet Fuel, Diesel Fuel including Interstate User Diesel Fuel, International Fuel Tax Agreement (IFTA), Motor Vehicle Fuel, and Use Fuel)
- Oil Spill Response, Prevention, and Administration Fees
- Timber Yield Tax
- Underground Storage Tank Maintenance Fee

We've recently updated our website to provide the latest online resources, tools, and guidelines for the tax and fee programs above. Visit our [Business Taxes and Fees in California](#) webpage and select from the list of tax and fee programs to learn more. We continue to make improvements to our system and have created many video tutorials to help you file a return, make a payment, and gain access to your account(s). The tutorials are available on our Online Services webpage, [Tutorials](#) tab, including *How to Create a Username and Password* in the new system, *How to Gain Access* to an account, and *How to File* online.

In addition to filing, paying, and maintaining your account, logging in with a username and password will allow you to:

- File returns, schedules, and reports
- Save bank account information for future use
- View real-time account information, including account balance and correspondence
- Print a license or permit
- Maintain your contact information
- Add or close a location

- Update mailing addresses
- Request relief from penalty and/or interest
- File an appeal or claim for refund

Returns, schedules, and/or license renewals for these programs can now be filed online by logging in to our online services system. You must log in to our online services with a *username* and *password* to access your account(s) and file online. If you are the business owner for one of these accounts, a letter was mailed to you in August 2019 with the information you need to sign up.

If you **do not** currently have a username and password, you should [Sign Up Now](#). Third party representatives (tax preparer/CPA, representative, employee) will also need to set up a username and password, before requesting third party online access to the account.

### Verify a permit, license, or account

You can verify a permit, license, or account via our [Online Services](#) portal. Visit our Online Services homepage and select *Verify a Permit, License, or Account*, select the taxable activity type, and enter the identification number you want to verify. Programs available include fuels (motor vehicle fuel, diesel fuel, and jet fuel), underground storage tank, cigarette and tobacco products licenses, and sales and use tax.

### Program-specific notices

We have emailed or mailed special notices to impacted taxpayers over the last several months, providing information about the changes in our online filing system, including reporting changes, logging in and filing, third-party access, and cigarette stamp ordering system down time. Hyperlinks to the notices are provided below for easy reference.

#### General Topics

1. [Third Party Access to New Online Services System Effective August 12, 2019](#)



2. [Login Information for the New Online Services System Effective August 12, 2019](#)
3. [Update to the California Department of Tax and Fee Administration Company Identification Numbers](#)

### **Motor Vehicle Fuel, Diesel Fuel (including IFTA), Aircraft Jet Fuel, and Use Fuel Taxes**

1. [Revisions to the Supplier of Motor Vehicle Fuel Tax Return and Launch of New Online Services System Effective August 12, 2019](#)
2. [Revisions to Aircraft Jet Fuel Dealer Tax Return and Launch of New Online Services System Effective August 12, 2019](#)
3. [Revisions to the Petroleum Carrier Report and Launch of New Online Services System Effective August 12, 2019](#)
4. [Revisions to the Terminal Operator Information Report and Launch of New Online Services System Effective August 12, 2019](#)
5. [Revisions to the Train Operator Information Report and Launch of New Online Filing Effective August 12, 2019](#)
6. [The International Fuel Tax Agreement Return and Licensing Will Move to the New Online Services System Effective August 12, 2019](#)
7. [Revisions to Supplier of Diesel Fuel Tax Return and Launch of New Online Services System Effective August 12, 2019](#)
8. [Revisions to the Diesel Fuel Claim for Refund on Nontaxable Uses and Launch of New Online Services System Effective August 12, 2019](#)
9. [Revisions to Diesel Fuel Ultimate Vendor/Claim for Refund and Launch of New Online Services System Effective August 12, 2019](#)
10. [Revisions to Claim for Refund on Nontaxable Sales and Exports of Diesel Fuel and Launch of New Online Services System Effective August 12, 2019](#)
11. [Online Filing for Your Exempt Bus Operator Diesel Fuel Tax Return Effective August 12, 2019](#)
12. [Revisions to the Government Entity Diesel Fuel Tax Return and Online Filing Effective August 12, 2019](#)
13. [Online Filing for Your Interstate User Diesel Fuel Tax Return Effective August 12, 2019](#)
14. [Your User Use Fuel Tax Return and Decal Renewal Will Move to the New Online Services System Effective August 12, 2019](#)
15. [Revisions to the Vendor Use Fuel Tax Return and Launch of New Online Filing Effective August 12, 2019](#)
16. [Your Use Fuel Decal Renewal \(Private Vehicle\) Will Move to the New Online Services System Effective August 12, 2019](#)
17. [Your Exempt Bus Operator Use Fuel Tax Return and Decal Renewal Will Move to the New Online Services System Effective August 12, 2019](#)

18. [International Fuel Tax Agreement \(IFTA\) Online Filing Resources and Workshops](#)
19. [New Online Filing Resources for Motor Fuels](#)
20. [New Online Filing Resources for Use Fuel, Oil Spill, Timber, and Underground Storage Tank](#)

### **Underground Storage Tank Maintenance Fee**

1. [Revisions to the Underground Storage Tank Maintenance Fee Return and Launch of New Online Filing Effective August 12, 2019](#)
2. [New Online Filing Resources for Use Fuel, Oil Spill, Timber, and Underground Storage Tank](#)

### **Oil Spill Prevention and Administration Fee**

1. [Revisions to the Oil Spill Prevention and Administration Fee Return and Launch of New Online Filing Effective August 12, 2019](#)
2. [New Online Filing Resources for Use Fuel, Oil Spill, Timber, and Underground Storage Tank](#)

### **Cigarette and Tobacco Products: Taxes and Licensing**

1. [Important Information for Cigarette Tax Stamp Purchasers – Stamp Order System Down August 6, 2019 10:00 a.m. to August 12, 2019, 12:00 Noon](#)
2. [Revisions to California Cigarette Tax Stamp Ordering Process and Launch of New Online Services System Effective August 12, 2019](#)
3. [Cigarette Manufacturer's Tax Return and License Renewal Move to New Online Services System Effective August 12, 2019](#)
4. [Cigarette Distributor's Tax Report and License Renewal Move to New Online Services System Effective August 12, 2019](#)
5. [Your Cigarette Wholesaler's Return and License Renewal Move to New Online Services System Effective August 12, 2019](#)
6. [Revisions to the Common Carrier's Report of Cigarette Deliveries and Launch of New Online Filing Effective August 12, 2019](#)
7. [Tobacco Products Manufacturer/Importer Tax Return and Launch of New Online Filing Effective August 12, 2019](#)
8. [Revisions to the Tobacco Products Distributor Tax Return and Launch of New Online Filing Effective August 12, 2019](#)
9. [Your Tobacco Products Wholesaler License Moves to the New Online Services System Effective August 12, 2019](#)
10. [Prevent All Cigarette Trafficking Act \(PACT Act\) Reports will move to the New Online Services System Effective August 12, 2019](#)
11. [Cigarette and Tobacco Products Online Filing Resources](#)



## Alcoholic Beverage Tax

1. [Revisions to the Beer Manufacturer Tax Return and Launch of New Online Filing Effective August 12, 2019](#)
2. [Revisions to the Beer and Wine Importer Tax Return and Launch of New Online Filing Effective August 12, 2019](#)
3. [Revisions to the Winegrower Tax Return and Launch of New Online Filing Effective August 12, 2019](#)
4. [Revisions to the Common Carrier's Report of Delivery and Launch of New Online Filing Effective August 12, 2019](#)
5. [Revisions to the Distilled Spirits Tax Return and Launch of New Online Filing Effective August 12, 2019](#)
6. [Revisions to the Vendor's Report of Beer Shipment into California and Launch of New Online Filing Effective August 12, 2019](#)
7. [Revisions to the Common Carriers Tax Return and Launch of New Online Filing Effective August 12, 2019](#)
8. [Revisions to the Customs Broker's Report of Transactions and Launch of New Online Filing Effective August 12, 2019](#)
9. [Alcoholic Beverage Tax Online Filing Resources](#)

## Timber Yield Tax

1. [Timber Tax Return Online Filing Effective August 12, 2019](#)

## Remaining special tax and fee programs to transition to our new online services system in fall 2020

We are expanding our online services system to include all our remaining tax and fee programs. During the transition phase, our [website](#) directs you to the correct login page based upon your account type.

In fall 2020, our online services system will incorporate the following tax/fee programs:

- Cannabis Taxes
- Childhood Lead Poisoning Prevention Fee
- Emergency Telephone Users Surcharge
- Energy Resources Surcharge
- Hazardous Substances Tax (Disposal, Environmental, Facility, Generator)
- Integrated Waste Management Fee
- Lead-Acid Battery Fees
- Marine Invasive Species Fee
- Natural Gas Surcharge
- Occupational Lead Poisoning Prevention Fee
- Tax on Insurers
- Water Rights Fee

## Third-party access to new online services

We expanded our online services for third-party access to

additional special tax and fee programs. See our July 2019 Special Notice, [Third-Party Access to New Online Services Effective August 12, 2019](#), for more information for obtaining third-party access.

## Delegate permissions: Secondary Access

In August 2019, we added a new online service functionality called Secondary Access. With Secondary Access, you can delegate permission(s) for another user, such as an employee, to perform work within online services on your behalf without providing any personal information. A secondary user will only have access to accounts you grant to them, and you can grant them permissions up to the level of your access. If you are a business owner, you can log in with your username and password to add or remove access for your third-party representative.

Third-party representatives who were granted access to an account prior to our August release, now require the business owner to modify their access type to allow them to use the Secondary Access feature. Visit our [Tutorials](#) page to watch the video about [How to Grant Secondary Access](#).

## Additional registration and collection requirements for out-of-state businesses selling certain items into California effective April 1, 2019

If you are an out-of-state seller required to register<sup>1</sup> with us to collect the use tax, you may have additional registration and fee collection requirements if you sell any of the following items into California:

- New tires or motor vehicles and equipment that include new tires
- Covered electronic devices
- Lead-acid batteries
- Lumber products or engineered wood products
- Prepaid phones and cards (prepaid MTS)

## For more information

See our online guide, [Use Tax Collection Requirements Based on Sales into California Due to the Wayfair Decision](#), at [www.cdtfa.ca.gov/industry/wayfair.htm](http://www.cdtfa.ca.gov/industry/wayfair.htm). You can find more information about the registration and collection requirements of applicable fees under the Special Taxes and Fees topic of the [Tax Matrix and Common Transactions](#) tab.

1. An out-of-state retailer is required to register for and collect use tax if they are considered engaged in business in California pursuant to Revenue and Taxation Code section 6203 and the U.S. Supreme Court's decision in *South Dakota v. Wayfair, Inc.* (Dock No. 17-494) (*Wayfair*).



## CANNABIS TAXES



### Changes to cannabis rates

We are responsible for determining the cannabis mark-up rate every six months. An analysis of statewide market data was used to determine the average mark-up rate between the wholesale cost and the retail selling price of cannabis and cannabis products. Based on this analysis, effective January 1, 2020, the mark-up rate will be set at 80 percent. We will notify you with a special notice anytime the mark-up rate changes.

Beginning January 1, 2020, we are required to adjust for inflation the cultivation tax rates for all harvested categories (flowers, leaves, and fresh cannabis plant). Please see our Special Notice, [Cannabis Rate Changes Effective January 1, 2020](#), for additional information.

For the current cannabis tax rates, see our [Special Taxes and Fees Rates](#) page under *Cannabis Taxes*.

### Cannabis tax regulations

We recently adopted [Regulation 3700](#), *Cannabis Excise and Cultivation Taxes*, ([www.cdtfa.ca.gov/lawguides/vol3/ctr/ctr-reg3700.html](http://www.cdtfa.ca.gov/lawguides/vol3/ctr/ctr-reg3700.html)), which addresses and clarifies the Cannabis Tax Law regarding the administration of the cannabis excise and cultivation taxes, including a new definition of wholesale cost. Please see our Special Notice, [Changes to Cannabis Excise and Cultivation Taxes Regulation](#), for more information on Regulation 3700.

Additionally, we adopted emergency [Regulation 3702](#), *California Cannabis Track-and-Trace*, which requires distributors and retailers to enter the wholesale cost and retail selling price of cannabis or cannabis products into the California Cannabis Track-and-Trace system.

For more information on emergency Regulation 3702, please see our Special Notice, [New Emergency Regulation for Cannabis Distributors and Retailers Requires California Cannabis Track-and-Trace](#).

### Cultivation tax – which distributor is responsible

As a licensed cannabis distributor (excluding transport-only distributors), you are required to collect the cultivation tax from cultivators, manufacturers, or other distributors based on the weight and category of the cannabis. The distributor who conducts the final quality assurance review after the cannabis or cannabis product passes the required testing is the distributor responsible for reporting and paying the cultivation tax to us. The cultivation tax must be reported during the reporting period in which the cannabis or cannabis product passes the required testing and quality assurance review, which is when the cannabis or cannabis product enters the commercial market.

In instances where there are multiple distributors and/or manufacturers involved, the associated cultivation tax collected will follow the cannabis or cannabis product and must be passed to the next licensee in the transaction until the cannabis or cannabis product reaches the distributor conducting the final quality assurance review. Each party to the transaction, from the cultivator to the final sale or transfer to the distributor, is relieved of its liability for the cultivation tax by receiving a proper receipt for payment of the cultivation tax from the next party in the transaction.



## How cannabis excise tax applies to samples

As a distributor, manufacturer, or cultivator, you may sell samples or promotional items to a cannabis retailer. How the cannabis excise tax and the sales and use tax apply depends on whether the samples are sold to the retailer for the retailer's use for marketing purposes, or if the samples are sold to the retailer for resale to the retailer's customers.

### Samples sold to a retailer for the retailer's use

The distributor is not required to collect the cannabis excise tax on sales of samples to a cannabis retailer when the retailer is the consumer of the samples and does not resell the samples to the retail customer.

When a distributor, manufacturer, or cultivator sells cannabis to a cannabis retailer and the cannabis retailer is not purchasing the cannabis for resale, the licensee selling cannabis to the cannabis retailer will owe the sales or use tax on the sale to the cannabis retailer based on the seller's selling price or cost.

### Samples sold for resale to a retailer

If the samples or promotional items are sold to the cannabis retailer for resale, cannabis excise tax applies. The distributor is required to collect excise tax from the retailer based on the average market price of the cannabis or cannabis products.

In an arm's length transaction, the distributor calculates the average market price by applying our predetermined mark-up to the retailer's wholesale cost. Currently, the wholesale cost is the amount paid by the retailer for the cannabis or cannabis products, before any discounts or trade allowances and including any transportation charges. On and after January 1, 2020, the wholesale cost is the amount paid by the retailer for the cannabis and cannabis products, including transportation charges. The mark-up rate will be 80 percent effective January 1, 2020.

When cannabis samples or promotional items are sold to a cannabis retailer who resells the items in their business, the sale to the cannabis retailer is not subject to sales tax. The seller (distributor, cultivator, or manufacturer) should obtain and keep a valid and timely resale certificate from the retailer as support that the sale was for resale. For information on sales for resale and resale certificates, see [publication 103, Sales for Resale](#).

View our online [Tax Guide for Cannabis Businesses](#) for more information and examples showing how the cannabis excise tax and sales tax due are computed.

*Note:* Cannabis retailers are prohibited from giving away any amount of cannabis or cannabis products unless authorized to do so by the Bureau of Cannabis Control (Bureau). The Bureau is the state agency that regulates the requirements for all licensed distributors, retailers, and microbusinesses. If you have specific questions regarding a retailer, distributor, or a microbusiness license, please email the Bureau at [bcc@dca.ca.gov](mailto:bcc@dca.ca.gov).





## CIGARETTE AND TOBACCO PRODUCTS: TAXES AND LICENSING



### New reporting requirements for Tobacco Products Distributors effective January 1, 2020

Beginning January 1, 2020, tobacco products distributors will be required to report the wholesale cost of electronic cigarettes and vaping products that contain nicotine separately from the wholesale cost of all other tobacco products they distribute. Distributors will also be required to report their total sales of electronic cigarettes and vaping products that contain nicotine by customer (buyer). These new reporting requirements are based on Governor Newsom's September 16, 2019 Executive Order N-18-19, and the CDTFA's authority under Revenue and Taxation Code [section 30454](#). The CDTFA-501-CT, *Tobacco Products Distributor Tax Return*, will be revised and a new Schedule CDTFA-810-CTN, *Electronic Cigarettes and Vaping Products That Contain Nicotine Tax Disbursement Schedule*, added to meet these new requirements. For further information, please see our Special Notice, [New Reporting Requirements for Tobacco Products Distributors Effective January 1, 2020](#).

### Cigarette and tobacco products taxes Uniformity Project in 2020

We are incorporating the Federation of Tax Administrators' (FTA) Tobacco Uniformity standards for our cigarette and tobacco products taxes programs. The FTA cigarette uniform returns and schedules will be available in June 2020 for

the May 2020 filing, and the tobacco uniform returns and schedules will be incorporated in the fall of 2020.

#### What is uniformity?

FTA implemented uniformity to encourage states to adopt electronic filing standards and uniform forms to make it easier for taxpayers filing in more than one state to comply with filing requirements. Uniformity also reduces implementation costs and facilitates the sharing of information contained in tax forms among tax authorities to aid in combating tax evasion.

#### What changes will be made?

##### Cigarette Distributors

- Two lines will be removed from the [CDTFA-501-CD](#), *Cigarette Distributor's Tax Report*, and the name will change to Cigarette Distributor/Importer Tax Report.
- Transaction level detail will continue to be reported using [CDTFA-810-CTI](#), *Cigarette Tax Receipt Schedule*, and the [CDTFA-810-CTF](#), *Cigarette Tax Disbursement Schedule*.

##### Cigarette Wholesalers

- The [CDTFA-501-CW](#), *Cigarette Wholesaler's Report*, will contain the same line items; however, we will be requesting more detailed information regarding cigarette purchases.
- The *Part 2 – Purchases of Cigarettes* section will be replaced with a new schedule, [CDTFA-810-CTI](#), *Cigarette Tax Receipt Schedule*.



### Cigarette Manufacturers

- The [CDTFA-501-CM](#), *Cigarette Manufacturer's Tax Return of Taxable Distributions in California*, will now require all distributions subject to tax to be reported on one line entry.
- Transaction level detail will continue to be reported using [CDTFA-810-CTF](#), *Cigarette Tax Disbursement Schedule*.

### Uniform Changes to Schedules

- **Tax Jurisdiction Code (TJC):** Tax Jurisdiction Codes will be used to identify the type of activity being reported on both receipt and disbursement schedules.
- **Federal Employer Identification Number (FEIN):** The new forms will require the FEIN of the buyer or seller to be reported with the transactions.
- **Manufacturer Name:** Schedules will now require the name of the company who manufactured the product to be reported.
- **Master Settlement Agreement (MSA) Status:** Schedules must now identify whether the manufacturer is a participating or non-participating manufacturer.
- **UPC:** The UPC for cartons and packs will be a required field.
- **Total Cigarettes/Sticks:** A new field will be added to include the individual number of cigarettes from the transaction.
- **Required Fields:** All fields on schedules will be required.

### Online Filing and Options for Schedule Submission

- **Excel Templates:** Excel templates will be available to assist with schedule preparation.
- **XML:** Reports and schedules will be accepted in XML file format.

### Other Resources

- **CDTFA Website:** The [Cigarette and Tobacco Products Online Filing](#) webpage will be updated to include draft copies of the new reports and schedules.
- **Schedule Preparation Instructions:** The [CDTFA-810-CTE](#), *Instructions for Preparing Cigarette Tax Schedules*, will be updated to include all uniformity changes.
- **Videos:** Video tutorials are being developed to assist users with online filing.
- **Outreach:** We will continue to provide new information and reminders as we approach spring 2020.

If you have specific questions regarding our transition to the FTA Uniformity standards, please email us at [STFRegUpdates@cdtfa.ca.gov](mailto:STFRegUpdates@cdtfa.ca.gov) and provide the name and telephone number of a contact person. You may also visit the FTA's website at [www.taxadmin.org/tobacco-tax-uniformity-project](http://www.taxadmin.org/tobacco-tax-uniformity-project) for more information.

## Clarifying the wholesale cost basis of tobacco products for out-of-state licensed tobacco products distributors in certain transactions

We have clarified the wholesale cost basis of tobacco products when an out-of-state California licensed tobacco products distributor sells tobacco products to wholesalers, retailers, or consumers located in California. For more information, see our Special Notice, [Clarifying the Wholesale Cost Basis for Out-of-State Licensed Tobacco Products Distributors Effective October 1, 2019](#).



## California Internet sellers of nicotine or vape products containing nicotine must hold a cigarette and tobacco products license

If you are a California retailer selling nicotine products, such as electronic cigarettes or vape pens sold with nicotine, eLiquid or vape juice containing nicotine, cigarettes, or other tobacco products to consumers in California, you are required to hold a Cigarette and Tobacco Products Retailer License. This licensing requirement applies whether you sell these products to California consumers in person or by Internet, mail, or telephone, or any other means. In addition to this license, if you sell these products as a distributor or wholesaler in California, you are required to hold either a Cigarette and Tobacco Products Distributor License or Wholesaler License.

Retailers and wholesalers must purchase all their nicotine products, cigarettes, and other tobacco products from California licensed cigarette and tobacco products wholesalers and/or distributors and the excise tax must be paid by the licensed distributor. Retailers and wholesalers cannot purchase, sell, or possess untaxed nicotine, unstamped cigarettes, or other tobacco products.

Prior to making sales and deliveries of cigarette or tobacco products to consumers in California, you must verify that your customers are 21 years or older. Customers who are U.S. Armed Forces active duty personnel with military ID must be at least 18 years of age. See our [Tax Guide for Cigarette and Tobacco Products](#) webpage for more information about the types of licenses you may need.



## DIESEL AND MOTOR VEHICLE FUEL TAXES



### How to find our active suppliers list

The Active Suppliers list is updated daily by our new system and is available through our new [Online Services](#) portal. The full list of active suppliers is available for customers with an aircraft jet fuel dealer permit or a supplier license for either diesel fuel or motor vehicle fuel (MVF). Log in to [Online Services](#), and then select your aircraft jet fuel dealer, MVF, or diesel fuel supplier account. Then, under the *I Want To* section, select *Active Fuel Suppliers*. You can also search for an individual supplier or account through the [Verify a Permit, License, or Account](#) link on the [Online Services](#) homepage. This option does not require you to log in to your account.

### Do you owe the backup tax on diesel fuel or motor vehicle fuel?

If you purchase untaxed diesel fuel or motor vehicle fuel (fuel), and place that fuel into the fuel tank of a motor vehicle in this state, and do not qualify for an exemption, you owe the *backup tax*. Persons purchasing untaxed fuel are responsible for paying the backup tax to us.

International Fuel Tax Agreement and Diesel Fuel Interstate User licensees are required to report all gallons used to operate their qualified motor vehicles during the reporting period. Diesel fuel purchased without payment of excise tax must be included in the total gallons being reported. Gallons of diesel fuel purchased during the reporting period without payment of the excise tax *cannot* be reported as tax-paid gallons to reduce the net taxable gallons for which tax is due. Improper reporting of ex-tax diesel fuel purchases will result in the disallowance of tax-paid gallons and additional tax liability, along with applicable penalties and interest.

If you have questions about whether the backup tax applies to your fuel purchases or how to pay the backup tax, please contact 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. to 5:00 p.m. (Pacific time), except state holidays.



## ELECTRONIC WASTE RECYCLING (EWASTE) FEE



### New eWaste recycling fee rates effective January 1, 2020

The Department of Resources Recycling and Recovery (CalRecycle) approved a decrease in the electronic waste recycling (eWaste) fee rates for all covered electronic devices (CEDs). We are responsible for the collection of the eWaste fee. Effective January 1, 2020, the eWaste fee will decrease for all CEDs. The new rates are as follows:

| Screen Size-Measured Diagonally         | Current Fee | Fee Effective 1/1/2020 |
|---|-------------|------------------------|
| More than 4 inches, less than 15 inches | \$5.00      | \$4.00                 |
| 15 inches or more, less than 35 inches  | \$6.00      | \$5.00                 |
| 35 inches or more                       | \$7.00      | \$6.00                 |

## EMERGENCY TELEPHONE USERS SURCHARGE AND PREPAID MOBILE TELEPHONY SERVICES (MTS) SURCHARGE FOR SERVICE SUPPLIERS



### Changes to the emergency telephone users (911) surcharge effective January 1, 2020

The Emergency Telephone Users (911) Surcharge will change to a flat rate surcharge amount on each access line per month and prepaid MTS retail transaction beginning January 1, 2020. Currently, the surcharge is a percentage-based surcharge on intrastate telephone communication service charges. Service suppliers that are currently filing returns on a quarterly or yearly basis will be changed to a monthly reporting basis, starting with their January 2020 return. For more information, please see our Special Notice, [Changes to the Emergency Telephone Users](#)

[\(911\) Surcharge Effective January 1, 2020](#), and our updated [Tax Guide for Sellers of Prepaid Mobile Telephony Services \(MTS\) and Telecommunication Service Suppliers](#).

### 911 surcharge rate information for 2020

The Governor's Office of Emergency Services (OES) sets the rate for the 911 surcharge each year. Visit our website at [www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm](http://www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm) for the rates that will be effective for this program from January 1, 2020, through December 31, 2020.



## HAZARDOUS SUBSTANCES TAXES/FEES



### New hazardous substances and occupational lead poisoning prevention program fee rates

Visit our [website](#) for new rates effective January 1, 2020. We administer five programs under the Hazardous Substances Tax Law: Four for the California Department of Toxic Substances Control (disposal fee, environmental fee, facility fee, and generator fee) and one for the California Department of Public Health (occupational lead poisoning prevention fee). The hazardous substances fees and the occupational lead poisoning prevention fee are adjusted each year by the incremental change in the Consumer Price Index (CPI) issued by the California Department of Industrial Relations.

## LEAD-ACID BATTERY FEES



### Do you need a California battery fee or manufacturer battery fee account?

Two fees are imposed on the sale of lead-acid batteries in California: a \$1 California battery fee and a \$1 manufacturer battery fee. If you are a dealer (retailer), manufacturer, or importer of lead-acid batteries (commonly found in vehicles) for sale in California, you may need a California battery fee and/or manufacturer battery fee account with us.

### California battery fee account

If you make retail sales of replacement lead-acid batteries in California, you are required to register with us for a California battery fee account and collect and remit the \$1 California battery fee on sales subject to the fee. Retailers may retain 1.5 percent of the fee collected as reimbursement for any costs associated with the collection of the fee. Manufacturers who make retail sales of lead-acid batteries in California directly to consumers must also register with us for a California battery fee account.

On and after January 1, 2020, Assembly Bill 142 (AB 142, Stats. 2019, ch.860) adds an exemption from the California battery fee for new car dealers that use a replacement lead-acid battery in the sale or lease of a used car. Manufacturers who make retail

sales of lead-acid batteries in California directly to consumers must also register with us for a California battery fee account.

### Manufacturer battery fee account

If you manufacture and sell lead-acid batteries either at retail in California, or to a dealer (retailer), wholesaler, distributor, or other person for retail sale in California, you may need to register for a manufacturer battery fee account. Manufacturers of lead-acid batteries owe the \$1 manufacturer battery fee and must report and remit the fee to us. The fee is due on each lead-acid battery sold to a person at retail in California, or sold to a dealer, wholesaler, distributor, or other person for retail sale in California.

On and after January 1, 2020, AB 142 allows out-of-state manufacturers not otherwise subject to the manufacturer battery fee to pay the fee on behalf of a California importer and claim the associated credits to offset potential lead-acid battery hazardous waste liability. Beginning April 1, 2022, AB 142 increases the manufacturer battery fee from \$1 to \$2 and removes the sunset date.

*Note:* Manufacturers discussed above include retailers that import lead-acid batteries into California from manufacturers that are not subject to California jurisdiction.

View our [Tax Guide for Lead-Acid Battery Fees](#) for more information.



## GENERAL INTEREST



### Privacy notice

Every year we are required to notify all active accountholders of their privacy rights. Please review our [Privacy Notice](#) for information regarding your privacy rights. Your account records are covered by the Information Practices Act (Civil Code section 1798) and as such, you are entitled to review your records. If you have 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.

### New and revised special taxes and fees publications January 1, 2019 to December 31, 2019

| Publication Name  | Publication Number | Revision Date |
|---|--------------------|---------------|
| California Use Fuel Tax: A Guide for Vendors and Users                                  | 12                 | (8-19)        |
| About The California Department of Tax and Fee Administration                           | 21-G               | (2-19)        |
| Emergency Telephone Users (911) Surcharge and Prepaid 911 Surcharge                     | 39A                | (4-19)        |
| Guide to International Fuel Tax Agreement   | 50                 | (5-19)        |
| Guía Sobre el Acuerdo Internacional del Impuesto Sobre el Combustible (Spanish version) | 50-S               | (5-19)        |
| Do You Need a California Fuel Permit or License?  | 84                 | (9-19)        |
| Guide to the California Timber Yield Tax  | 87                 | (7-19)        |
| California Tire Fee   | 91                 | (3-19)        |
| Cigarette and Tobacco Products Taxes  | 93                 | (4-19)        |
| Cigarette and Tobacco Product Inspections   | 152                | (5-19)        |
| Tax Appeals Assistance Program  | 215                | (1-19)        |
| CDTFA Workforce and Succession Plan   | 279.2              | (6-19)        |
| California Industry Insight (1 <sup>st</sup> Quarter 2019)                              | 329                | (3-19)        |
| CDTFA Information Sheet   | 556                | (6-19)        |

### Know your rights

As a taxpayer, you have many rights under the law, including the right to:

- Information and assistance to help you comply with the law
- Fair and courteous treatment and prompt service
- Confidentiality
- Appeal a determination or claim a refund as allowed by law

Along with those rights, you have responsibilities to:

- Stay informed about tax laws and regulations that affect your business
- Report and pay taxes and fees when due
- Promptly respond to our attempts to contact you
- Inform us of changes to your business ownership or address
- Maintain adequate records

For more information, please visit the *Taxpayers' Rights* webpage at [www.cdtfa.ca.gov/TRA](http://www.cdtfa.ca.gov/TRA). Our Taxpayers' Rights Advocate Office can be reached toll-free at 1-888-324-2798.

### Civil behavior in trying times

We know that you may find yourself frustrated with the complexity of the tax and fee laws or pressed for time when dealing with our staff. We ask that you treat our employees just as you would like to be treated in a business situation. Any threatening statement or gesture made to a CDTFA employee—even a statement made in jest—will be referred to our Internal Affairs Section for investigation.

### Ethics at work: “Thank you” is enough

CDTFA policy prevents our employees from accepting gifts of any type. If you are grateful to someone for going the extra mile to help you with a complicated issue, a simple “thank you” will do. You may also use our [online Customer Service Survey form](#), *How Are We Doing? – Special Taxes and Fees*, to express yourself.



**CDTFA**  
CALIFORNIA DEPARTMENT OF  
TAX AND FEE ADMINISTRATION

**SPECIAL  
TAXES AND FEES**

## NEWSLETTER

### Need more information?

#### SPECIAL TAXES AND FEES

California Department of Tax and Fee Administration, MIC:88  
PO Box 942879  
Sacramento, CA 94279-0088

#### EMAIL

[www.cdtfa.ca.gov/email](http://www.cdtfa.ca.gov/email)

#### CUSTOMER SERVICE CENTER

**1-800-400-7115 (CRS:711)**

Customer service representatives are available to assist you Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

#### TAX EVASION HOTLINE

1-888-334-3300

#### LEGISLATION

[www.leginfo.legislature.ca.gov](http://www.leginfo.legislature.ca.gov)

#### TAXPAYERS' RIGHTS ADVOCATE

[www.cdtfa.ca.gov/tra](http://www.cdtfa.ca.gov/tra)

1-888-324-2798

#### CONTACT AND WEBSITE

Visit [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov) for information, regulations, forms and publications, translated publications, and more.

#### ONLINE SERVICES

Find out how flexible online filing can be.

We offer several options to make it easier for you to file your returns and pay your taxes or fees online. You can find them on the homepage of our [website](#). Select *File a Return* or *Make a Payment*.

