



# 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.

## Main Street Small Business Tax Credit II

The Main Street Small Business Tax Credit II will provide COVID-19 financial relief to qualified small business employers. Beginning on November 1, 2021, and ending November 30, 2021, we will be accepting applications through our online reservation system for qualified small business employers to reserve \$1,000 per net increase in qualified employees, not to exceed \$150,000. Tentative credit reservation amounts will generally be reduced by credit amounts reserved or received under the first Main Street Small Business Tax Credit. The credits are reserved on a first-come, first-served basis. Qualified small businesses will be able to offset either their income taxes or their sales and use taxes with the credit when filing their returns. The credit only applies to California small businesses that meet the following qualifications:

- Employed 500 or fewer employees as of December 31, 2020, and
- Experienced a decrease of 20 percent or more in income tax gross receipts by comparing specified periods.

For more information, please visit our *Main Street Small Business Tax Credit II*<sup>1</sup> webpage at [www.cdtfa.ca.gov/industry/main-street-small-business-tax-credit-II-AB150.htm](http://www.cdtfa.ca.gov/industry/main-street-small-business-tax-credit-II-AB150.htm).

<sup>1</sup>The posted *Newsletter for Tax Practitioners* August 2021 (Edition 14<sup>th</sup>) has a slight difference than the printed version to correct the URL.



## Local Tax Reporting Information for Online Retailers

We understand that reporting the Bradley-Burns Uniform Local Sales and Use Tax (local tax) on California sales and use tax returns can be complicated for retailers making online sales. To help you and your clients avoid some common errors, we recently updated our *Local and District Tax Guide for Retailers*, and added the *Online Retailers: Registration and Local Tax* tab, at [www.cdtfa.ca.gov/industry/localanddistricttaxes.htm](http://www.cdtfa.ca.gov/industry/localanddistricttaxes.htm). The tax guide has been updated to provide information about reporting and allocating local tax, including scenarios showing how tax applies to common online transactions and additional examples addressing participation in the sale.



## Industry and Tax and Fee Guides Available Online

We recently added the *Tax Guide for Rental Companies* to our list of industry guides. This guide provides basic information on how sales and use tax applies to leases of tangible personal property (excluding mobile transportation equipment, such as buses, truck trailers, and vehicles designed to carry more than ten people including the driver).

The guides cover a variety of topics to help your clients understand key issues that may be relevant to their business. They complement our many online [publications](#) that provide more specific guidance on industry topics.

Our complete list of industry and tax and fee guides is available at [www.cdtfa.ca.gov/industry/](http://www.cdtfa.ca.gov/industry/). We regularly update these guides to ensure information is current. If you have any suggestions for improving the industry and tax and fee guides, please email us at [AIS.IndustryGuides@cdtfa.ca.gov](mailto:AIS.IndustryGuides@cdtfa.ca.gov).

## Salinas Office Closed on April 30, 2021 – Services Available by Appointment

On April 30, 2021, we permanently closed our Salinas Office located at 950 E. Blanco Road, Suite 202, Salinas, CA 93901-4488. Until another office can be established in the area, we will be providing services at a temporary location in Salinas by appointment only.

To schedule an appointment, please call 1-831-754-4500 or email [SalinasInquiries@cdtfa.ca.gov](mailto:SalinasInquiries@cdtfa.ca.gov).



## New Tax Rate on Other Tobacco Products (OTP) Effective July 1, 2021, through June 30, 2022

The new tax rate for OTP (tobacco products other than cigarettes) is 63.49 percent of the wholesale cost, effective July 1, 2021, through June 30, 2022, and is subject to change annually.

For more information, please see our special notice, *New Tax Rate on Other Tobacco Products Effective July 1, 2021, through June 30, 2022*, at [www.cdtfa.ca.gov/formspubs/L808.pdf](http://www.cdtfa.ca.gov/formspubs/L808.pdf). Current and historical tobacco products tax rates are posted on our [website](http://www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm) on the *Tax Rates – Special Taxes and Fees* webpage under the *Cigarette and Tobacco Products Tax* section at [www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm](http://www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm).



## Sales Taxes and Excise Taxes on Fuel

By March 1 of each year, we are required to establish the sales tax prepayment rates on fuels that will be in effect from July 1 through June 30, of the following year. Generally, the new prepayment rates take effect July 1. The rates vary depending on the type of fuel involved and may be adjusted during the year, if necessary. In addition to the sales tax prepayment rates on fuels, we are required to adjust the motor vehicle fuel and diesel fuel excise tax rates every July 1 by the percentage change in the California Consumer Price Index, as calculated by the California Department of Finance. The excise taxes on aircraft jet fuel and aviation gasoline are not subject to an annual adjustment.

### Sales Tax Prepayment Rates – Effective July 1, 2021, through June 30, 2022

The sales tax prepayment rate for motor vehicle fuel, diesel fuel, and jet fuel are as follows:

- Motor vehicle fuel (gasoline) rate increased to \$0.055 per gallon (from \$0.050 per gallon)
- Diesel fuel rate increased to \$0.27 per gallon (from \$0.26 per gallon)
- Jet fuel rate decreased to \$0.075 per gallon (from \$0.081 per gallon)

### Excise Tax Rates – Effective July 1, 2021, through June 30, 2022

The excise tax rates for motor vehicle fuel, diesel fuel, jet fuel, and aviation gasoline are as follows:

- Motor vehicle fuel (gasoline) excise tax rate increased to \$0.511 per gallon (from \$0.505 per gallon)
- Diesel fuel excise tax rate increased to \$0.389 per gallon (from \$0.385 per gallon)
- Jet fuel excise tax rate remains at \$0.02 per gallon
- Aviation gasoline excise tax rate remains at \$0.18 per gallon



You can view the special notice about these changes at [www.cdtfa.ca.gov/formspubs/L803.pdf](http://www.cdtfa.ca.gov/formspubs/L803.pdf). For additional information concerning tax rates, please visit our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov) and select *Sales & Use Tax* under *Tax Programs*, then look under the tab *Tax & Interest Rates*, and select *Sales Tax Rates for Fuels*.





## Cannabis Mark-Up Rate

We are responsible for calculating the cannabis mark-up rate every six months, and have determined that the cannabis mark-up rate will remain unchanged at **80 percent** for the remainder of the 2021 calendar year. Statewide market data was used to calculate the mark-up rate between the wholesale cost and the retail selling price of cannabis and cannabis products.

The cannabis excise tax is 15 percent of the average market price of the cannabis or cannabis products sold in a retail sale. The mark-up rate must be used by distributors to compute the average market price of cannabis or cannabis products sold or transferred to a cannabis retailer in an arm's length transaction. In these transactions, the average market price is the retailer's wholesale cost of the cannabis or cannabis products plus the mark-up rate determined by us.

Please see our special notice, *Cannabis Mark-Up Rate Remains at 80 Percent*, at [www.cdtfa.ca.gov/formspubs/L804.pdf](http://www.cdtfa.ca.gov/formspubs/L804.pdf) for additional information regarding the cannabis mark-up rate. For the current and past mark-up rates and cultivation tax rates, please see our *Tax Rates – Special Taxes and Fees* webpage under *Cannabis Taxes* section at [www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm#cannabis](http://www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm#cannabis).



## New Reporting Requirement for Electronic Nicotine Delivery Systems Shipped into California under the Prevent All Cigarette Trafficking Act

### Who Should Register and File PACT Act Reports with California?

The Prevent All Cigarette Trafficking (PACT) Act generally applies to out-of-state businesses selling cigarettes, smokeless tobacco products, or Electronic Nicotine Delivery Systems (ENDS) into California. If your client sells, transfers, ships for-profit; advertises, or offers cigarettes, smokeless tobacco products, or ENDS for sale in interstate commerce into California, or into or through Indian country of an Indian tribe located within California's borders, your client is required to register and file monthly reports with us.

Generally, businesses located in California do not have a PACT Act reporting requirement with us unless they are selling, transferring, shipping for-profit, advertising, or offering cigarettes, smokeless tobacco products, or ENDS for sale into Indian country within the exterior limits of the State of California.

If your client sells, transfers, ships for-profit, advertises or offers cigarettes, smokeless tobacco products, or ENDS in interstate commerce outside of California, they need to contact the state receiving the cigarettes, smokeless tobacco products, or ENDS to register and file PACT Act reports with that state.

### The Legislation

The Preventing Online Sales of eCigarettes to Children Act (2021 Omnibus Appropriations Bill H.R. 133 section 601) amended the federal definition of cigarette, as used in the PACT Act, to include ENDS, effective March 27, 2021.

### For More Information

Please see our special notice, *New Prevent All Cigarette Trafficking (PACT) Act Reporting Requirements for Electronic Nicotine Delivery Systems (ENDS) Effective March 27, 2021*, at [www.cdtfa.ca.gov/formspubs/L801.pdf](http://www.cdtfa.ca.gov/formspubs/L801.pdf), which defines ENDS and provides specific information about registering and filing the monthly report with us. For more information about the PACT Act, please see our *Tax Guide for Cigarettes and Tobacco Products* at [www.cdtfa.ca.gov/industry/cigarette-and-tobacco-products.htm](http://www.cdtfa.ca.gov/industry/cigarette-and-tobacco-products.htm).



## Sign Up Now

If you currently file returns on behalf of clients with an account using our online system and you do not have a username and password, please *sign up now* at <https://onlineservices.cdtfa.ca.gov/>.

Beginning January 2022, we will be phasing out the Limited Access Codes (LAC). If you or your clients use an LAC to file or pay using our online services system and do not have a username and password, please sign up now.

The online services portal provides access to all the enhanced features of our system. With a username and password, you can file tax returns, request filing extensions, make payments, file appeals, request payment plans, submit claims for refund, and request relief from penalties and/or interest. You can also check on the status of relief requests, as well as view and print letters, payments, filed reports and returns for your clients' accounts.

Video tutorials on how to log in and request access to your clients' accounts are available on our website at [www.cdtfa.ca.gov/services/#Tutorials](https://www.cdtfa.ca.gov/services/#Tutorials).



## Contact Us

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

**California Department of Tax and Fee Administration**  
P.O. Box 942879  
Sacramento, CA 94279-0044

**Website:** [www.cdtfa.ca.gov/contact.htm](https://www.cdtfa.ca.gov/contact.htm)

**Tax Practitioner Hotline:**  
1-800-401-3661

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

**About the CDTFA:** We administer California's sales and use, fuel, tobacco, alcohol, and cannabis taxes, as well as a variety of other taxes and fees that fund specific state programs. We collect over \$70 billion annually from CDTFA administered programs, which in turn supports local essential services such as transportation, public safety and health, libraries, schools, social services, and natural resource management programs through the distribution of tax dollars going directly to local communities.

Tax programs we administer are concentrated in two general areas – sales and use, and special taxes and fees.

To best serve our customers, we have offices throughout the state along with offices located in New York, Chicago, and Houston. While our team is spread out geographically, we are united in working together to serve taxpayers

Thank you for connecting with us.

