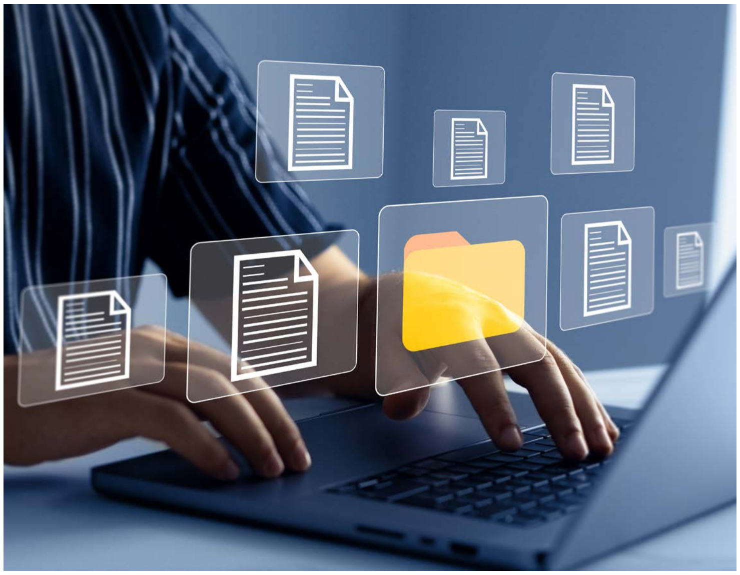
CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

TAX INFORMATION BULLETIN

Publication 388 | September 2026 | www.cdtfa.ca.gov



Digital Products Are Taxable Beginning January 1, 2027

Beginning January 1, 2027, the sale of digital products sold at retail in California or the storage, use, or other consumption in California of digital products purchased from any retailer are generally subject to sales and use tax. Senate Bill 122 (Stats. 2026, ch. 23) expanded the definition of *tangible personal property* to include digital products and any associated copyright or patent interests. Digital products are defined as prewritten (canned) computer software transferred on tangible storage media, transferred electronically, or accessed remotely.

The following items **are not** considered digital products under the new law:

- Digital assets (such as cryptocurrency)
- Digital audio works (such as music, spoken recordings, and ringtones)
- Digital audiovisual works (such as movies and videos with sounds)
- Digital books (also known as eBooks)
- Digital infrastructure (such as cloud platforms that allow customers to create, deploy, or run their own software applications)
- Digital video game products
- Digital visual works (such as computer-generated artwork)

For more information, refer to our *Tax Guide for Retailers and Purchasers of Digital Products*.

New Sales and Use Tax Rates Effective October 1, 2026

New district tax rates go into effect beginning October 1, 2026. For details on the new tax rates, refer to our special notice L-1037, *New Sales and Use Tax Rates Effective October 1, 2026*.

For additional information about these tax rate changes, visit our *Explanation of Tax Rate Changes* webpage.

Limited Tax Exclusion for Pawnbrokers Extended Through December 31, 2031

Assembly Bill 2641 (Stats. 2026, ch. 76) extends the sunset date for the exclusion from tax on certain transfers of property returned by pawnbrokers until January 1, 2032. Previously, the sunset date was January 1, 2027. The exclusion is set forth by Revenue and Taxation Code section 6010.15, which provides that when a pawnbroker transfers property back to the person that had pledged the property to the pawnbroker as security for a loan, that transfer is not taxable under certain conditions.

For more information, refer to our special notice L-1038, *Limited Tax Exclusion for Pawnbrokers Extended Through December 31, 2031*.

Tax Rate Change for IFTA and Interstate User Diesel Fuel Tax Licensees

Effective July 1, 2026, through June 30, 2027, the tax rate licensees report and pay on their quarterly International Fuel Tax Agreement (IFTA) or Interstate User Diesel Fuel Tax Return for diesel fuel increased from $0.971 to $0.979 per gallon. This is the tax amount licensees report and pay with their quarterly IFTA or Interstate User Diesel Fuel Tax Return for diesel fuel purchased in California and used both inside and outside California. The table below shows the new effective rates. Licensees purchasing diesel in California and using it both inside and outside of California may claim a credit of $0.979 per gallon beginning with their third-quarter 2026 return (July 1, 2026, through September 30, 2026).

Rate Component	July 1, 2026–June 30, 2027
Diesel Fuel Tax*	48.2 cents ($0.482)
Excise Tax	49.7 cents ($0.497)
Total	**97.9 cents ($0.979)**

*Diesel Fuel tax rate is adjusted on July 1 of each year.

For more information, refer to our online *Fuel Tax and Fee Guides*, including the *International Fuel Tax Agreement (IFTA) and Interstate User Diesel Fuel Tax* guide. For additional details and filing instructions, refer to our special notice L-1031, *Rate Change for International Fuel Tax Agreement and Interstate User Diesel Fuel Tax Licensees Effective July 1, 2026*.

IFTA: Reporting Tax Exempt Miles and Gallons

When an IFTA jurisdiction suspends its fuel tax or when you travel with a fuel trip permit, some of your miles or gallons may be tax exempt. Each IFTA jurisdiction has its own definition of tax-exempt miles, and it is your responsibility to know which miles qualify in every jurisdiction where you operate. Exemption information is available on the IFTA, Inc. website.

The IFTA return must be updated in our system before you file to ensure you have the ability to claim tax-exempt miles. If you plan to claim tax-exempt miles on your IFTA return, you can request this update by contacting our Customer Service Center to be connected with the Motor Carrier Office as directed below. Accurate reporting ensures your tax liability is calculated correctly.

For more guidance, refer to L-1030, *How to Report Tax-Exempt Miles and Gallons on Your International Fuel Tax Agreement (IFTA) Quarterly Tax Return*, or refer to our *International Fuel Tax Agreement (IFTA) and Interstate User Diesel Fuel Tax* guide. You may also contact our Customer Service Center at 1-800-400-7115 (TTY:711), Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays. Select the option for *Special Taxes and Fees* from the menu, then select *Motor Carrier Office Programs*.

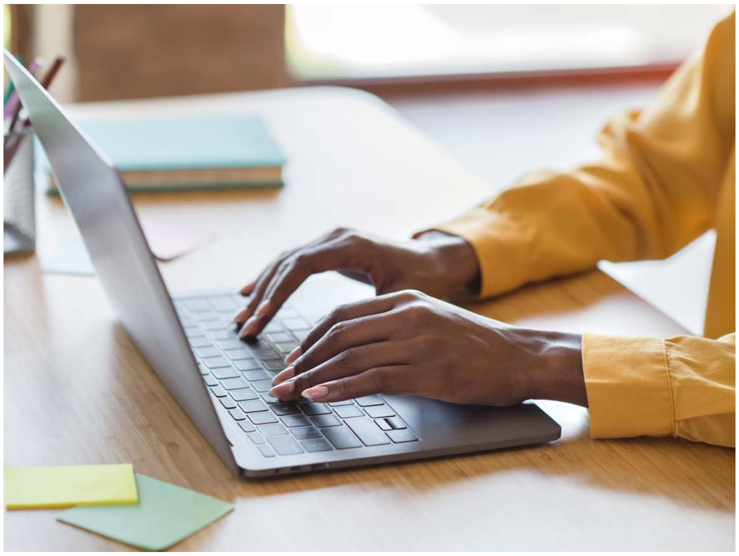
Sales and Use Tax Rates for Unincorporated Areas

Retailers should not rely solely on the city names listed on mailing addresses or ZIP Codes when determining the applicable sales and use tax rate. The United States Postal Service establishes and maintains ZIP Codes for mail delivery purposes. ZIP Codes and city names on mailing addresses do not determine taxing jurisdiction boundaries or applicable tax rates.

In some cases, a delivery address may share the same city name or ZIP Code as a city that imposes a district tax, but the address is not located within that incorporated city. Therefore, the citywide tax does not apply because the business's physical location is not within the boundaries of the jurisdiction imposing the district tax.

For example, Lincoln Acres is an unincorporated community within San Diego County. Lincoln Acres has the same ZIP Code as the city of National City, an incorporated city in San Diego County that imposes a citywide district tax. Since Lincoln Acres is not part of the incorporated city of National City, deliveries made to addresses in Lincoln Acres are generally only subject to the unincorporated San Diego County sales and use tax rate. For sales delivered to a customer in Lincoln Acres, it is incorrect for a retailer to charge the citywide district tax rate applicable in the incorporated city of National City.

Retailers can find the appropriate rate for a specific address using our *Find a Sales and Use Tax Rate* tool. For more information, refer to publication 44, *District Taxes (Sales and Use Taxes)*.



Our Publications

We provide publications and industry guides to help you understand and comply with California's tax and fee laws. These resources are available on our website.

Information about the Taxpayers' Rights Advocate (TRA) Office can be found in publication 70, *Understanding Your Rights as a California Taxpayer*. Publication 70 explains your rights during a tax audit and during the collection process. Additional information about audits is provided in publication 76, *Audits*, and information about collections is available in publication 54, *Collection Procedures*.

If you have been unable to resolve an issue, or have questions about your rights or responsibilities, please contact the TRA Office at 1-888-324 2798 or *Taxpayer.Rights@cdtfa.ca.gov*. You can also find more information on the TRA Office webpage.

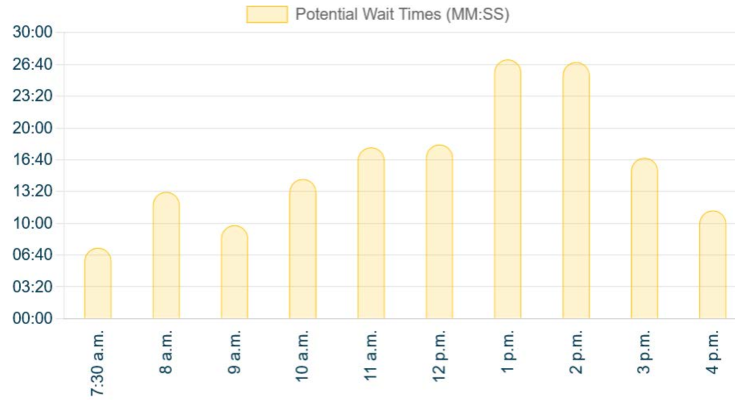
Tax Education

Understanding tax requirements can help you stay tax-compliant and avoid common filing errors. Our *Tax Education* webpage offers a variety of helpful resources to guide you. You will find valuable information including free webinars and workshops, self-paced instruction videos (with many available in Spanish), printable publications, guides, and more. Take advantage of these tools to stay informed and confidently manage your tax obligations.

View Live Customer Service Wait Times

Skip the wait and get the help you need faster! Check out our Customer Service Dashboard to view live call wait times and the best times to call.

When Are Wait Times Longest?



Updates from the Franchise Tax Board

Subscribe to Franchise Tax Board's Monthly Newsletter and Learn About Their Taxpayers' Rights Advocate's Office

Get the latest tax-related information directly in your inbox. Subscribe to the monthly online publication *Tax News* today.

Tax News informs tax professionals, taxpayers, and business owners about state income tax laws, Franchise Tax Board (FTB) regulations, policies, procedures, and events that impact or provide valuable information to the tax professional community. FTB also periodically releases *Tax News Flashes* to quickly notify subscribers of urgent and time-sensitive information.

View the *Learn about the FTB Taxpayers' Rights Advocate's Office* YouTube video to learn more.