



For more information, see [publication 70](#), *Understanding Your Rights as a California Taxpayer*. You may also call the [Taxpayers' Rights Advocate Office](#) if you have questions about your rights, or if you have not been able to resolve a problem through normal channels. The Advocate Office can be reached toll-free at 1-888-324-2798 or by visiting [www.cdtfa.ca.gov/tra](http://www.cdtfa.ca.gov/tra).

## Sales and Purchases for Resale

As a seller of tangible personal property, when you buy items for your business from any retailer, including big box retailers like Sam's Club and Costco, it is important to segregate the purchases you plan to resell in your business from those that are for business use or for personal use. When you purchase items that you will not resell in your business, such as a TV for home or business use, or janitorial supplies to clean your business facility or home, you must pay tax on the purchase of these items because they were not purchased for resale.

If you are engaged in the business of selling tangible personal property, you may issue a resale certificate to the seller when you purchase items that you will resell in the regular course of your business operations. A [CDTFA-230](#), *General Resale Certificate*, can be issued to retailers when purchasing goods you will resell.

Generally, you may issue a resale certificate when:

- Purchasing finished items for resale,
- Buying materials that will become a physical part of an item that will be held for resale, or
- Purchasing items solely for demonstration or display while holding them for sale in the regular course of business operations.

You generally may not issue a resale certificate when buying a product that you will:

- Use rather than sell,
- Use in your business before you sell it,
- Use for a personal purpose, or
- Hold as an investment for appreciation in value and for sale in the future.

If you knowingly issue a resale certificate when purchasing items that you will not resell, you will owe:

- The amount of tax that would be due had the certificate not been used, and
- Interest on the tax due (computed from the time the item was purchased).

In addition, you could have your seller's permit revoked and be required to pay a penalty of ten (10) percent of the tax or \$500, whichever is greater, for each purchase made for personal gain or to evade payment of tax.

A person may be found guilty of a misdemeanor if they know at the time of purchase that they will not resell the purchased item prior to any use and they give a completed resale certificate to the seller for the purpose of evading payment of tax to the seller. Each offense is punishable by a fine of not less than \$1,000 and not more than \$5,000, imprisonment not exceeding one year, or both fine and imprisonment.

If you paid sales tax to your supplier for items purchased for business or personal use, but resold the items before any taxable use, you can take a deduction on your tax return when you report the sale. You may deduct the amount paid before sales or use tax was added, under *Cost of Tax-Paid Purchases Resold Prior to Use* on your sales and use tax return.

For more information on purchases and sales for resale, please see publication 103, *Sales for Resale*, on our website at [www.cdtfa.ca.gov/formspubs/pub103/](http://www.cdtfa.ca.gov/formspubs/pub103/).



## New Legislation for Cannabis Businesses

The Governor signed Assembly Bill (AB) 1741 (Stats. 2018, Ch. 228) on August 28, 2018. Effective immediately, if the CDTFA determines that it is necessary to facilitate tax collection, this bill allows a person licensed to engage in commercial cannabis activity that was previously required to remit sales and use taxes and cannabis taxes by Electronic Funds Transfer (EFT) to remit taxable amounts due by means other than EFT. For more information on payment by means other than EFT, please contact one of our [offices](#). For office locations, see our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

## Cigarette and Tobacco Products Distributors May Not Hold a Wholesaler License

A person who holds a cigarette and tobacco products distributor license, may not hold a cigarette and tobacco products wholesaler license.

Revenue and Taxation Code (R&TC) defines a “Wholesaler” to include any person, other than a licensed distributor, who engages in this state in making sales for resale of tax-paid (stamped) cigarettes and/or tax-paid tobacco products ([R&TC section 30016](#)). Accordingly, a licensed distributor, by definition, is not a wholesaler, and thus, may not also hold a wholesaler license. Therefore, a distributor may not register for or renew a wholesaler license, and a wholesaler may not register for or renew a distributor license.

For more information, see our Special Notice, *Cigarette and Tobacco Products Distributors May Not Hold a Wholesaler License*, at [www.cdtfa.ca.gov/formspubs/l573.pdf](http://www.cdtfa.ca.gov/formspubs/l573.pdf).

## Cigarette and Tobacco Products Consumers – You May Owe Taxes

If you purchase cigarettes or tobacco products for your own use from outside the state without paying both California cigarette and tobacco products taxes and California use tax, you are required to file a return and pay the cigarette and tobacco products taxes and use tax directly to the CDTFA. This includes products shipped into California that were purchased through the mail, by telephone, or online. You will not owe the cigarette taxes if you personally bring less than 400 cigarettes (two cartons) into California, but you will still owe the use tax.

### File a return and pay online

To pay taxes on purchases of cigarettes and/or tobacco products, please see our website at <https://onlineservices.cdtfa.ca.gov>. Under the heading *Limited Access Functions*, choose *File a Return*, then click on *Cigarette & Tobacco Internet Purchases Return*. Follow the prompts to file your return and pay your taxes.

If you already have a cigarette and tobacco products internet purchaser account with the CDTFA, please log in to file your return and pay online at <https://onlineservices.cdtfa.ca.gov>. Use either your new username and password or your Limited Access Code (previously referred to as Express Login Code) and account number to file online in our new online filing system.

For information about how to set up your new username and password, see *Changes to Online Services Effective May 7, 2018*, on our website at [www.cdtfa.ca.gov/formspubs/L-556.pdf](http://www.cdtfa.ca.gov/formspubs/L-556.pdf).

### Please update your contact information

To receive reminders to file and other updates, and to ensure your security code for our new online system is mailed to the correct address, please update your email and physical address with us at [STFRegUpdates@cdtfa.ca.gov](mailto:STFRegUpdates@cdtfa.ca.gov).

## Out-of-State Cigarette and Tobacco Products Sellers May Not Hold a Wholesaler License

Revenue and Taxation Code (R&TC) defines “Wholesaler” to include any person, other than a licensed distributor, who engages in this state in making sales for resale of tax-paid (stamped) cigarettes and/or tax-paid tobacco products ([R&TC section 30016](#)). Accordingly, a person making sales at an out-of-state location is not a wholesaler since they are engaged outside of California in making sales. Therefore, an out-of-state person may not be licensed as a wholesaler.



You are responsible for obtaining and maintaining the proper license(s) at each location where you are engaged in the sale of cigarettes and tobacco products in California. You may obtain a distributor license to make sales from an out-of-state location to California licensees. Please see our [Tax Guide for Cigarette and Tobacco Products](#) webpage to learn more about the tax program, licensing, and reporting requirements.

## Cannabis Tax Updates

The CDTFA determined the mark-up rate to be used to calculate the average market price of cannabis or cannabis products sold in an arm's length transaction will continue to be set at 60 percent. The CDTFA is responsible for determining the mark-up rate on a biannual basis in six-month intervals. We will notify you in a Special Notice if the markup rate changes. For the current cannabis tax rates, see our *Special Taxes and Fees Rate* webpage under *Cannabis Taxes* on 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 More Information

All telephone numbers are toll-free.

#### Internet

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

[www.taxes.ca.gov](http://www.taxes.ca.gov)

#### Customer Service Center

1-800-400-7115

(TTY:711)

#### Seller's Permit Verification

1-888-225-5263

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

#### Taxpayers' Rights Advocate

1-888-324-2798

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

#### Tax Evasion Hotline

1-888-334-3300

#### State Legislation

<https://leginfo.legislature.ca.gov/>

#### More Articles Available Online

There are occasions when we have more articles than we have space for in this print version of the *Tax Information Bulletin*.

The additional articles are available online at

[www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm](http://www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm).

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