



Sign Up Now

Beginning January 2022, we will phase out our Limited Access Codes. If you have not created a username and password, we encourage you to *Sign Up Now*, at onlineservices.cdtfa.ca.gov, so you can access your account(s), file returns and reports, and make payments using our online services system. Your username and password give you valuable access to perform many account activities online such as:

- Managing multiple accounts,
- Requesting relief of penalties and interest,
- Requesting filing extensions,
- Saving and updating banking and account information,
- Viewing return and payment history, and
- Receiving alerts and correspondence.

If you need assistance creating a username and password, please see our video tutorials webpage at www.cdtfa.ca.gov/services/#Tutorials, or 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.

Taxpayers' Rights Advocate Office Annual Report

Our Taxpayers' Rights Advocate Office produces publication 316, *Taxpayers' Rights Advocate's Annual Report*, to highlight important accomplishments, spotlight current issues, and give examples of services the Advocate Office provides. The 2020-21 *Taxpayers' Rights Advocate's Annual Report* will be available soon at www.cdtfa.ca.gov/tra/annual-reports.htm.

If you have questions about your rights, or if you have not been able to resolve a problem through normal channels, the Taxpayers' Rights Advocate Office can be reached toll-free at 1-888-324-2798 or by visiting www.cdtfa.ca.gov/tra.

Diapers and Menstrual Hygiene Products

The temporary sales and use tax exemption for sales of specified diapers and menstrual hygiene products, effective January 1, 2020, was made permanent by [Assembly Bill \(AB\) 150](#) (Stats. 2021, ch. 82) on July 16, 2021. If you are a retailer who sells these items, you should not charge or collect sales or use tax on your sales of these items.

New Reporting Requirement for Retailers of Electronic Cigarettes

Beginning July 1, 2022, [Senate Bill \(SB\) 395](#) (Stats. 2021, ch. 489) requires retailers of electronic cigarettes to collect from purchasers an additional California Electronic Cigarette Excise Tax (CECET) at the rate of 12.5 percent of the sales price of electronic cigarettes containing nicotine. If you currently have an active Cigarette and Tobacco Products Retailer's License and indicated you sell electronic cigarettes containing nicotine, you will automatically be registered for a CECET account. We will notify you by mail once your CECET account has been created. Your first CECET return for sales of electronic cigarettes containing nicotine for the period July 1, 2022, through September 30, 2022, will be due October 31, 2022. If you do not sell electronic cigarettes containing nicotine, please call our Customer Service Center at 1-800-400-7115 (CRS:711) to update your account.

We will issue a special notice, and our *Tax Guide for Cigarettes and Tobacco Products*, at www.cdtfa.ca.gov/industry/cigarette-and-tobacco-products.htm will be updated as more information is available.

Audit Manual Updates

We are currently updating our manuals to incorporate new procedures for our new computer system. Audit Manual Chapter 2, *Preparation of Field Audit Reports*, and Chapter 7, *Reaudit Reports and Revised Audit Reports*, are currently being updated. As of now, Chapter 3, *Audit Working Papers*, was rewritten.

For our most current version of the *Audit Manual*, please visit our *Guidelines/Manuals – Sales & Use Tax, Special Taxes and Fees* webpage at www.cdtfa.ca.gov/taxes-and-fees/staxmanuals.htm.

New Local Charge Rate for San Francisco Retail Sales of Prepaid Mobile Telephony Services Effective April 1, 2022

Effective April 1, 2022, the new local prepaid Mobile Telephony Services (MTS) rate for the City and County of San Francisco is 15 percent. Sellers are required to collect, report, and pay local charges on their retail sales of prepaid MTS. In addition to any applicable local charges, sellers are required to collect the Emergency Telephone Users (911) Surcharge on each retail transaction of prepaid MTS as a flat rate fee (the current rate is set at 30 cents per transaction and will remain the same for the calendar year 2022). The current 911 Surcharge Rate and local charge rates for each locality are available on our *911 Surcharge and Local Charge Rates* webpage at www.cdtfa.ca.gov/taxes-and-fees/mts.htm.

For more information about the 911 Surcharge and how local charges apply, please view our *Tax Guide for Sellers of Prepaid Mobile Telephony Services and Telecommunication Service Suppliers*, at www.cdtfa.ca.gov/industry/seller-servicesupplier.htm#Overview.

New Sales and Use Tax Code for City of Nevada City Operative January 1, 2022

In November 2020, city of Nevada City voters approved Measure M which repeals the current 0.50 percent district tax as of January 1, 2022, and replaces it with a new tax at the same rate of 0.50 percent. The new tax does not have an expiration date. Although there is no change to the tax rate, a new code is required. This change applies only within the city limits of Nevada City. The new tax code is available to view and download as a spreadsheet on our webpage, *California City & County Sales & Use Tax Rates*. Go to our website at www.cdtfa.ca.gov, select *Tax and Fee Rates*, then choose *Sales and Use Tax Rates* (scroll down to *Download* for the spreadsheet).

To find the specific tax rate for your area or business location on our website, from the *How Do I* pull-down menu, select the *Find Your Tax Rate*, and then select the *Sales and Use Tax Rates*. From there, go to the *California City & County Sales & Use Tax Rates* webpage, and select *Find a Sales and Use Tax Rate by Address* under the *Current Tax Rates* section. The new code will be displayed on January 1, 2022.

DISTRICT TAX CODE CHANGE				
Citywide	Expiring Code	New Code	Prior Rate	New Rate
City of Nevada City (located in Nevada County) ¹	630	964	8.375%	8.375%

¹ The city approved a new 0.50 percent tax (NVST) to replace the existing tax of 0.50 percent (NVSI) which will expire January 1, 2022. A new code is required.

New Legislation Clarifies Requirements for Used Vehicle Dealers

Starting January 1, 2021, certain used vehicle dealers began paying tax on their retail sales of used motor vehicles directly to the Department of Motor Vehicles (DMV) when they submit a vehicle registration application. Recently passed legislation, [Assembly Bill \(AB\) 176](#) (Stats. 2021, ch. 256), clarifies that those dealers required to pay tax to the DMV beginning January 1, 2021, include newly licensed dealers, dealers whose seller's permit was reinstated within the last two years, and dealers with a previous finding of underreporting within the last two years. All other used vehicle dealers will be required to pay the applicable sales tax to the DMV starting January 1, 2023.

The new legislation also clarifies that dealers must pay the applicable sales tax, and any applicable district use tax, on their retail sales of used motor vehicles to the DMV and that the DMV is not required to collect tax on sales of non-motor vehicles, such as used trailers.

Registration and Local Tax Reporting Information Available for Online Retailers

To assist retailers making online sales, we recently added additional helpful information to our *Local and District Tax Guide for Retailers*. If you are making sales online and have questions about reporting local tax on California sales and use tax returns, please review our [Online Retailers: Registration and Local Tax](#) tab.

Limited Tax Exclusion for Pawnbrokers Extended Through 2026

Revenue and Taxation Code (R&TC) section 6010.15 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. This exclusion was to become inoperative on January 1, 2022, but [Assembly Bill \(AB\) 296](#) (Stats. 2021, ch. 164) now extends the exclusion until January 1, 2027.

According to R&TC 6010.15, tax does not apply to transactions in which a borrower buys back their pledged property from a pawnbroker if all the following conditions are met:

- The buyback occurs within six months of the date the borrower defaulted on the loan (the date title to the property vested with the pawnbroker).
- The borrower pays the remaining unpaid loan balance including any charges and interest, as of the date the borrower defaulted, together with one of the following:
 - For loans of less than \$2,500, the borrower must pay the allowable charges and interest from the date of default to the date the borrower buys back the pledged property.
 - For loans of \$2,500 or more, the borrower must pay charges and interest due based on the last monthly contractual interest rate from the date of default to the date the borrower buys back the pledged property.
- The borrower has proof, such as a receipt or similar document, that they originally paid sales tax on the item.

For more information on charges and interest allowed by pawnbrokers, please refer to Chapter 2 (*Pawnbroker Regulations*) of Division 8 of the California Financial Code, at leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=FIN&division=8.&part=&chapter=2.

Interest and Penalty Changes for the Timber Yield Tax Program

[Senate Bill \(SB\) 824](#) (Stats. 2021, ch. 432) was recently passed which revises the underpayment and overpayment interest calculations for the Timber Yield Tax Program from daily to monthly interest. Effective January 1, 2022, this change aligns the timber yield tax interest accrual with all other programs we administer.

We are permitted by law to compute the timber yield tax interest due on a daily basis in cases where an electronic tax payment was made one business day late. Interest on electronic timber yield tax payments may be computed on a daily basis, provided all of the following apply:

- The payment was made by electronic means (for example, payments made by Electronic Funds Transfer (EFT), credit card, or ACH debit through our online services) and was made no more than one business day after the due date,
- The taxpayer was granted relief from all penalties that applied to the tax payment, and
- The taxpayer filed a request for an adjustment to the interest computation with us.

Additionally, SB 824 modifies the timber yield tax late file and/or late pay penalty to the following:

- Late file penalty – One hundred dollars (\$100) if the tax return is not filed by its due date.
- Late pay penalty – Ten percent of the tax amount due if the tax is not paid by its due date.
- Late file and late pay penalty – Ten percent or one hundred dollars (\$100), whichever is greater, if the tax return is not filed and paid by its due date.

For more information about the timber yield tax, please see our *Tax Guide for Timber Yield Tax*, at www.cdtfa.ca.gov/taxes-and-fees/timber-tax.htm.

New Requirement for Marketplace Facilitators Begins January 1, 2022

Beginning January 1, 2022, [Assembly Bill \(AB\) 1402](#) (Stats. 2021, ch. 421) requires marketplace facilitators that are already required to collect and pay the sales tax due on third-party sellers' sales to Californians, must also collect and pay the following fees we administer:

- California Battery Fee
- California Tire Fee
- Covered Electronic Waste Recycling (eWaste) Fee
- Lumber Products Assessment

For more information on marketplace sellers, please see our *Tax Guide for Marketplace Facilitator Act*, at www.cdtfa.ca.gov/industry/MPFAct.htm.

How to Request Approval for Destruction of Spoiled Beer or Wine

If you are a registered beer and wine importer, beer manufacturer, or winegrower, you can submit a request for destruction of spoiled beer or wine by completing [CDTFA-775](#), *Approval Request and Declaration of Destruction for Spoiled Beer or Wine*, and email it to us at CDTFA775@cdtfa.ca.gov.

We will review your request and contact you or your designee if we determine you are required to have a supervised destruction or if you need to provide any supporting documents. After you receive approval from us and the designated beer and/or wine has been destroyed, an exemption or credit can be claimed on your return. An exemption or credit may not be claimed on your return without our prior approval.

For more information regarding alcoholic beverage taxes and who can claim an exemption or credit for beer or wine destruction, please see our *Tax Guide for Alcoholic Beverage*, at www.cdtfa.ca.gov/taxes-and-fees/alcoholic-beverage-tax.htm.

Cannabis Trade Samples

A new California law allows for certain cannabis licensees to provide cannabis trade samples to other licensees for targeted advertising of cannabis or cannabis products. Cannabis taxes do not apply to cannabis or cannabis products provided to other cannabis licensees as trade samples. See [Assembly Bill \(AB\) 141](#) (Stats. 2021, ch. 70).

For more information, please see our special notice, *Cannabis Trade Samples Exempt from Cannabis Taxes*, at www.cdtfa.ca.gov/formspubs/L837.pdf.

New and Revised Cigarette and Tobacco Products Regulations

The new Regulation 4077, *Tobacco Product Manufacturer*, defines a tobacco product manufacturer and clarifies when a tobacco retailer is and is not a tobacco product manufacturer. A tobacco retailer who is not licensed as a tobacco product manufacturer, importer, or distributor must purchase tobacco products from a licensed tobacco products distributor or wholesaler.

Updates to Regulation 4076, *Wholesale Cost of Tobacco Products*, provide clarification on calculating the wholesale cost of tobacco products for tax purposes.

For more information, please see Regulation 4077, *Tobacco Product Manufacturer*, at www.cdtfa.ca.gov/lawguides/vol3/ctptr/ctptr-reg4077.html, and Regulation 4076, *Wholesale Cost of Tobacco Products*, at www.cdtfa.ca.gov/lawguides/vol3/ctptr/ctptr-reg4076.html.

Renewable Fuel Registration and Reporting Requirements for the Oil Spill Prevention and Administration Fee

Beginning January 1, 2022, the Oil Spill Prevention and Administration (OSPA) Fee will apply to renewable fuel received at marine terminals, refineries, and at two new facility types. These changes are due to the enactment of [Assembly Bill \(AB\) 148](#) (Stats. 2021, ch. 115).

New Registration Requirement

Two new facility types must register with us for the OSPA fee:

- *Renewable fuel production facility* – a facility that produces renewable fuel for blending or shipment.
- *Renewable fuel receiving facility* – a facility that:
 - Is the first point of receipt in California for renewable fuel that originated from outside California.
 - Receives renewable fuel delivered by railroad tank car, tank truck, pipeline, or vessel.
 - May include, but is not limited to, a refinery, a marine terminal, a railroad tank car to tank truck transfer facility, or other storage and distribution facility.

For more information, please see our special notice, *Renewable Fuel Registration and Reporting Requirements for the Oil Spill Prevention and Administration Fee*, at www.cdtfa.ca.gov/formspubs/L821.pdf.

New Changes to Hazardous Waste Fee Programs beginning January 1, 2022

[Senate Bill \(SB\) 158](#) (Stats. 2021, ch.73) makes major changes to the Department of Toxic Substances Control (DTSC) and creates the Board of Environmental Safety within DTSC. SB 158 also makes major reforms to the hazardous waste facility, generator, environmental, and disposal fees administered by us.

For more information, please see our *Hazardous Substances (Waste) Fee Guide*, at www.cdtfa.ca.gov/taxes-and-fees/haz-sub-fee.htm and our special notices available under the guide's *Resource* tab. The guide will be updated as more information becomes available.

Special Tax and Fee Rates Update

Cannabis Excise Tax Mark-up Rate

The cannabis mark-up rate will remain at 80 percent for the period of January 1, 2022, through June 30, 2022.

Cultivation Tax Rates

Beginning January 1, 2022, the [cultivation tax rates](#) reflect an adjustment for inflation as required by the Cannabis Tax Law as follows:

- Cannabis flower rate increased to \$10.08 per dry-weight ounce (from \$9.65 per dry-weight ounce)
- Cannabis leaves rate increased to \$3.00 per dry-weight ounce (from \$2.87 per dry-weight ounce)
- Fresh cannabis plant rate increased to \$1.41 per ounce (from \$1.35 per ounce)

911 Surcharge Rate

The 911 Surcharge Rate will remain at 30 cents (\$0.30) for the year 2022.

Please visit our *Special Taxes and Fees Rates* webpage at www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm to see current and historical rate information.

New Online Filing Requirements Starting January 1, 2022

Beginning January 1, 2022, [Senate Bill \(SB\) 824](#) (Stats. 2021, ch. 432) requires electronic filing of returns and reports for the following programs:

- Cigarette and tobacco products
- Emergency telephone users (911) surcharge

Please create a username and password by going to our *Online Services* webpage at onlineservices.cdtfa.ca.gov to *Sign Up Now*.

For assistance creating a username and password, and filing online, please view our video tutorials at www.cdtfa.ca.gov/services/#Tutorials or 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.

Use Tax Due on Giveaways

California retailers often give away items that are otherwise regularly sold in the business as “gifts,” “freebies,” “free goods,” or “product samples.” When you give away a product for which you did not pay tax at the time of purchase, use tax is generally due. You can pay use tax by reporting the cost of items on the *Purchases subject to use tax* line of your sales and use tax return in the period when the giveaway occurred.

For more information, please see our *California Use Tax, Good for You. Good for California* webpage, at www.cdtfa.ca.gov/taxes-and-fees/use-tax.htm.

For More Information

All telephone numbers are toll-free.

Internet

www.cdtfa.ca.gov
www.taxes.ca.gov

Customer Service Center

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

Seller's Permit Verification

1-888-225-5263
www.cdtfa.ca.gov

Taxpayers' Rights Advocate

1-888-324-2798
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.

New and Revised Publications Available Online

For new and revised publications, see our website at www.cdtfa.ca.gov/formspubs/pubs.htm.

Thank you for connecting with us.

