



We understand our taxpayers are experiencing difficult times and are here to serve. In this edition of the *Tax Information Bulletin*, we provide articles detailing ways we can assist taxpayers focus on their health and personal priorities.

## Relief and Extensions for Filing Returns

For all but the largest taxpayers, first quarter 2020 returns were extended and are now due July 31, 2020. For all but the largest taxpayers, monthly returns for March, April, and May 2020 were also extended by three months.

Tax returns for the second quarter, running from April through June 2020, remain due on July 31, 2020. For sales and use taxpayers required to make monthly prepayments against their second quarter sales and use tax obligations, prepayments remain due on May 26, 2020, and June 24, 2020. For annual filers scheduled to file returns in July, the filing deadline of July 31, 2020, remains in effect.

For taxpayers who are unable to meet these deadlines through July 31, 2020, however, relief remains available. For taxpayers reporting less than \$1 million in tax on a return originally due through July 31, 2020, interest and penalties will not accrue on return amounts due, provided payments are made and returns are filed within three months of the original due date. Taxpayers below the \$1 million threshold are not required to seek an extension from CDTFA; relief will be provided automatically.

## Requesting an Extension or Relief from Penalty or Interest over \$1 Million in Tax Due

Taxpayers with a liability greater than \$1 million who are in need of additional time to file and/or pay may request an extension. These extension requests will be evaluated on a case-by-case basis. When making a request for an extension, you should provide information about how your business is unable to file and pay timely due to COVID-19.

Request for relief from penalties or interest may be submitted through our online services. Please note that you must log in to our online services using your *username* and *password* to request an extension or relief. If you do not already have a *username* and *password*, you may *Sign Up Now* at [https://onlineservices.cdtfa.ca.gov/\\_/](https://onlineservices.cdtfa.ca.gov/_/).

## Small Business Relief Payment Plan

The CDTFA is offering a 12-month, interest-free, payment plan for small businesses with less than \$5 million in annual taxable sales. This payment plan is limited to sales and use tax accounts and is available for up to \$50,000 in tax liability. All payment plans must be paid in full by July 31, 2021, to qualify for zero interest.

We are still working on configuring our systems to accommodate this interest-free payment plan. Please [complete this form](#) and we will notify you when the system becomes available. Please see our website at [www.cdtfa.ca.gov/services/covid19.htm#small-business-payment](http://www.cdtfa.ca.gov/services/covid19.htm#small-business-payment).

## Extension of Time to File Appeal with Office of Tax Appeals

Taxpayers or fee payers disputing a tax or fee liability may request their appeal be heard by the Office of Tax Appeals. Taxpayers typically have a 30-day window in which they may request an appeal with the Office of Tax Appeals. Through July 31, 2020, this period has been extended by 60 days, therefore, taxpayers now have a 90-day period to request an appeal with the Office of Tax Appeals.

## Public Counter Open by Appointment Only

As of March 23, 2020, we have temporarily closed the public counters to walk-in traffic in our local field and motor carrier offices to protect public health. We continue to provide services via telephone, video, email, and online. You may contact us directly through the following:

- Visit us online at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).
- You may call 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.
- You can call or email your local CDTFA office at [www.cdtfa.ca.gov/office-locations.htm](http://www.cdtfa.ca.gov/office-locations.htm).
- Send us a letter:

California Department of Tax and Fee Administration  
PO Box 942879  
Sacramento, CA 94279

## Challenges Faced by Restaurants During the COVID-19 Pandemic

We know that many restaurants have been impacted by the novel coronavirus and may have shifted operations due to the stay-at-home orders and physical distancing guidelines. During this time, many of you started to provide new services, such as food take-out orders and food delivery services, and expanded your menu to include grocery items and alcoholic beverages. We want to help you understand how tax applies to these sales.

- **Take-out Orders**  
Your hot prepared food products when sold to-go are generally subject to tax. Separate charges for hot bakery items and hot beverages, such as hot baked pretzels or coffee, are an exception to this rule. When they are sold to-go, tax does not apply. Cold prepared food products are usually not taxable when sold to-go unless all your sales are taxable under the *80-80 rule* (see [www.cdtfa.ca.gov/lawguides/vol1/sutr/1603.html](http://www.cdtfa.ca.gov/lawguides/vol1/sutr/1603.html)).
- **Food Delivery**  
If you deliver your restaurant's food, tax may apply to the delivery fees you charge. For example, hot prepared food is taxable along with any related delivery charges. However, if the prepared food is not taxable, such as cold sandwiches, the delivery charge is also not taxable. If you sell a combination of hot and cold food items for a single price, the entire price is subject to tax including any **delivery fee** charged.
- **Grocery Sales**  
If you operate a restaurant with a valid seller's permit and you also sell grocery items, you are not required to hold a separate seller's permit for the grocery sales. Certain grocery items that are not considered food products, such as ice, alcoholic, and carbonated beverages, are subject to tax. For a list of taxable and nontaxable items, please see publication 31, *Grocery Stores* at [www.cdtfa.ca.gov/formspubs/pub31.pdf](http://www.cdtfa.ca.gov/formspubs/pub31.pdf).
- **Alcoholic Beverages**  
All sales of alcoholic beverages are taxable. Aside from a seller's permit, you may also be required to hold specific types of **ABC licenses** for the alcoholic beverages you sell. For more information, please visit the Alcoholic Beverage Control website at [www.abc.ca.gov](http://www.abc.ca.gov).

For more information related to restaurants and groceries, please see our industry guide, *Tax Guide for Restaurant Owners*, at [www.cdtfa.ca.gov/industry/restaurant.htm](http://www.cdtfa.ca.gov/industry/restaurant.htm), and publication 31, *Grocery Stores*, at [www.cdtfa.ca.gov/formspubs/pub31.pdf](http://www.cdtfa.ca.gov/formspubs/pub31.pdf).

## Online Food Ordering Service

It is important for restaurants and online ordering service providers to know which party is liable for the sales tax on the sales of meals. The following provides both parties a better understanding of their responsibilities.

### What is the relationship between the restaurant and the online ordering service provider?

A written agreement should be completed that clearly states whether the online ordering service provider is acting as an agent of the restaurant in the advertising, ordering, and delivery of the meals, or whether the online ordering service provider is purchasing the meals for resale.

If the online ordering service provider is acting as an agent for the restaurant:

- The restaurant is considered the retailer of the meals sold through the online ordering service.
- The restaurant is liable for the tax measured by the full selling price of the meals, without a deduction for the commission retained by the service provider.
- Generally, tax does not apply to separately stated service fees charged by the online ordering services.
- **Please note:** Beginning October 1, 2019, according to the Marketplace Facilitator Act, a marketplace facilitator is considered the retailer of the sales that it facilitates. Delivery network companies are not marketplace facilitators unless they elect to be deemed as such. It is important that the restaurant check with the online ordering service provider to determine if the application of tax is affected by the Marketplace Facilitator Act.

If the online ordering service provider is not acting as an agent for the restaurant or is purchasing the meals for resale:

- The online ordering service provider is considered the retailer of the meals sold through the online ordering service and is liable for the tax measured by the full selling price of meals, including any service charges.
- The online ordering service provider is required to hold a seller's permit.
- The restaurant must obtain a valid resale certificate from the online service provider in a timely manner.

For more information, please see publication 22, *Dining and Beverage Industry* at [www.cdtfa.ca.gov/formspubs/pub22.pdf](http://www.cdtfa.ca.gov/formspubs/pub22.pdf); publication 73, *Your California Seller's Permit* at [www.cdtfa.ca.gov/formspubs/pub73.pdf](http://www.cdtfa.ca.gov/formspubs/pub73.pdf); publication 103, *Sales for Resale* at [www.cdtfa.ca.gov/formspubs/pub103/](http://www.cdtfa.ca.gov/formspubs/pub103/); and our *Tax Guide for Marketplace Facilitator Act* at [www.cdtfa.ca.gov/industry/MPFAct.htm](http://www.cdtfa.ca.gov/industry/MPFAct.htm).

## New Sales and Use Tax Rates Operative July 1, 2020

The tax rate changes listed apply only within the indicated city or county limits. The new tax rates, tax codes, acronyms, and expiration dates will be available to view and download as a spreadsheet on our *California City & County Sales & Use Tax Rates* webpage. Go to our website at [www.cdtfa.ca.gov](http://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, 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 rates will be displayed on July 1, 2020. You may also call 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.

## DISTRICT TAX RATE INCREASING

Citywide	New Code	Acronym	Prior Rate	New Rate
City of Alhambra (located in Los Angeles County)	780	ALAL	9.500%	10.250%
City of Azusa (located in Los Angeles County)	782	AZUZ	9.500%	10.250%
City of Carmel-by-the-Sea (located in Monterey County) <sup>1</sup>	804	CARC	8.750%	9.250%
City of Duarte (located in Los Angeles County)	784	DUAD	9.500%	10.250%
City of Emeryville (located in Alameda County)	772	EMEF	9.250%	9.500%
City of Gardena (located in Los Angeles County)	786	GARG	9.500%	10.250%
City of Lakewood (located in Los Angeles County)	792	LAKL	9.500%	10.250%
City of La Verne (located in Los Angeles County)	790	LALV	9.500%	10.250%
City of Lompoc (located in Santa Barbara County)	808	LOMI	7.750%	8.750%
City of Montebello (located in Los Angeles County)	794	MONH	9.500%	10.250%
City of Monterey (located in Monterey County)	806	MONG	8.750%	9.250%
City of Norwalk (located in Los Angeles County)	796	NORH	9.500%	10.250%
City of Paramount (located in Los Angeles County)	798	PARY	9.500%	10.250%
City of Reedley (located in Fresno County)	778	REEB	8.475%	9.225%
City of San Gabriel (located in Los Angeles County)	800	SASG	9.500%	10.250%
City of Scotts Valley (located in Santa Cruz County) <sup>2</sup>	810	SCOZ	9.000%	9.750%
City of Whittier (located in Los Angeles County)	802	WHIW	9.500%	10.250%

## CURRENT DISTRICT TAXES EXTENDED

County/City	Code	Acronym	Tax Rate	Expiration Date
City of Culver City (located in Los Angeles County)	666	CLEG	10.250%	3/31/2033
City of Davis (located in Yolo County)	376	DVSG	8.250%	Indefinite
City of Del Rey Oaks (located in Monterey County)	490	DLRY	9.250%	Indefinite
City of Watsonville (located in Santa Cruz County)	551	WTPS	9.250%	Indefinite

<sup>1</sup>The city approved a new tax of 1.50 percent (CARC) to replace the existing tax 1.00 percent (CBSG) which will expire June 30, 2020.

<sup>2</sup>The city approved a new tax of 1.25 percent (SCOZ) to replace the existing tax 0.50 percent (SVLY) which will expire on June 30, 2020.

**Please note:** The 0.50 percent Alameda County tax proposed by Measure C on the March 3, 2020, ballot is subject to pending litigation and it is not included on the special notice. Information regarding this tax will be updated if it becomes operative.

## New Tax Rates for Motor Vehicle and Diesel Fuels – Effective from July 1, 2020, through June 30, 2021

Sales and Use Tax Rates		
Type of Fuel	Prepayment Per Gallon	Sales and Use Tax Rates*
Gasoline (motor vehicle fuel)	5 cents (\$0.05)	2.25%
Aircraft jet fuel	8.1 cents (\$0.081)	7.25%
Diesel fuel	26 cents (\$0.26)	13.0%
Aviation gasoline	Not Applicable	Not Applicable

\*You must add district taxes where applicable. District tax rates for your area are available on the California Department of Tax and Fee Administration (CDTFA) website at [www.cdtfa.ca.gov/formspubs/cdtfa105.pdf](http://www.cdtfa.ca.gov/formspubs/cdtfa105.pdf).

Excise Tax Rates Per Gallon		
Type of Fuel	Through June 30, 2020	Effective July 1, 2020
Gasoline (motor vehicle fuel)	47.3 cents (\$0.473)	50.5 cents (\$0.505)
Aircraft jet fuel <sup>1</sup>	2 cents (\$0.02)	2 cents (\$0.02)
Diesel fuel	36 cents (\$0.36)	38.5 cents (\$0.385)
Aviation gasoline <sup>1</sup>	18 cents (\$0.18)	18 cents (\$0.18)

<sup>1</sup>Excise taxes on aircraft jet fuel and aviation gasoline are not subject to an annual adjustment.

### How are the sales tax prepayment rates determined?

The prepayment rate for each gallon of gasoline, aircraft jet fuel, and diesel fuel is calculated at 80 percent of the combined state and local sales tax on the average selling price of the fuel, excluding sales tax, as reported by industry publications. By March 1 of each year, we are required to establish the sales tax prepayment rates. We may adjust these rates during the year if changes in fuel prices cause fuel retailers to prepay too much or too little tax.

### How are the excise tax rates determined?

We are required to adjust the motor vehicle fuel and diesel fuel excise tax rates on July 1, 2020, and every July 1 thereafter, by the percentage change in the California Consumer Price Index, as calculated by the California Department of Finance.

### For more information

If you have questions, you may call 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.

## 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 sell replacement lead-acid batteries in California, you are required to register for a California battery fee account and collect and pay the \$1 California battery fee to us. Retailers may retain 1.5 percent of the fee collected as reimbursement for any costs associated with the collection of the fee. Manufacturers who sell lead-acid batteries in California must also register for a California battery fee account.

**Please note:** As of January 1, 2020, the California battery fee does not apply to a replacement lead-acid battery incorporated into a used motor vehicle that is sold or leased by a new motor vehicle dealer. A new line was added to the return for this exemption.

## 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 and pay the \$1 manufacturer battery 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. *Manufacturers*, include retailers that import lead-acid batteries into California from manufacturers that are not subject to California jurisdiction.

**Please note:** As of January 1, 2020, a manufacturer not subject to California jurisdiction may enter into a written agreement with an importer to pay the manufacturer battery fee on behalf of the importer and claim the associated credits to offset potential hazardous waste liability. Two new lines were added to the return: one for manufacturers to report the number of batteries for which it is paying the fee on an importer's behalf; and a second new line for importers to report the number of batteries for which the fee was paid for by a manufacturer on its behalf.

Please view our *Tax Guide for Lead-Acid Battery Fees* at [www.cdtfa.ca.gov/industry/lead-acid-battery-fees.htm](http://www.cdtfa.ca.gov/industry/lead-acid-battery-fees.htm) for more information about the fees and how to register. Also, please see our special notices, *Changes to the Lead-Acid Battery Fees Program* at [www.cdtfa.ca.gov/formspubs/L724.pdf](http://www.cdtfa.ca.gov/formspubs/L724.pdf), and *Changes to Your Lead-Acid Battery Fee Returns* at [www.cdtfa.ca.gov/formspubs/L738.pdf](http://www.cdtfa.ca.gov/formspubs/L738.pdf).

## Cannabis Tax Updates

We are responsible for determining a cannabis mark-up rate every six months. Based on our analysis of statewide market data, we determined the cannabis mark-up rate will remain at 80 percent for the remainder of 2020.

The 15 percent cannabis excise tax is based on 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.

Current and historical cannabis tax rates are posted on our [website](#) on the *Tax Rates – Special Taxes and Fees* webpage under the *Cannabis Taxes* 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).

## New Tax Rate for Other Tobacco Products – Effective July 1, 2020, through June 30, 2021

The new tax rate for other tobacco products (products other than cigarettes) is 56.93 percent of wholesale cost, effective July 1, 2020, through June 30, 2021, and is subject to change annually.

For more information, please see our special notice, *New Tax Rate on Other Tobacco Products Effective July 1, 2020, through June 30, 2021*, at [www.cdtfa.ca.gov/taxes-and-fees/L747.pdf](http://www.cdtfa.ca.gov/taxes-and-fees/L747.pdf). Current and historical tobacco products tax rates are posted on our [website](#) 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).

## 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;
- Prompt service;
- Confidentiality; and
- Appeal a determination or claim a refund as allowed by law.

Along with those rights, you have the responsibility to:

- Stay informed about tax laws and regulations that affect you and your business;
- Promptly respond to CDTFA attempts to contact you;
- Inform the CDTFA of changes to your business ownership or address; and
- Maintain adequate records.

For more information, please see publication 70, *Understanding Your Rights as a California Taxpayer* at [www.cdtfa.ca.gov/formspubs/pub70.pdf](http://www.cdtfa.ca.gov/formspubs/pub70.pdf). You may also call the [Taxpayers' Rights Advocate Office](#) at 1-888-324-2798 if you have questions about your rights or if you are unable to resolve a problem through normal channels, such as speaking with a supervisor.

This year, the CDTFA's Annual Taxpayers' Bill of Rights meeting is scheduled for August 13, 2020, on Microsoft Teams online. To request an invitation, please email [ibuford2@cdtfa.ca.gov](mailto:ibuford2@cdtfa.ca.gov) prior to August 1, 2020, with your name and email address. Your invitation will include instructions on accessing Microsoft Teams.

## Sign Up Now Campaign

We are encouraging all taxpayers to *Sign Up Now* at [https://onlineservices.cdtfa.ca.gov/\\_/](https://onlineservices.cdtfa.ca.gov/_/) for a *username* and *password* when using our online services system. Logging in with a *username* and *password* allows our staff to better assist you with your account, and provides you access to all the enhanced features of our system, including:

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

If you are using your *Limited Access Code* to file and pay online, you will be sent a letter, the following month, with the information you need to sign up for a *username* and *password*. This letter can be shared with third parties (tax preparers, CPAs, representatives, etc.) to provide them full access to your account(s).

If you need assistance with creating a *username* and *password*, please see our *Video Tutorials* page at [www.cdtfa.ca.gov/services/#Tutorials](http://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.

## Online Filing and Services Update

We are shifting to online filing for all tax accounts. We mailed the final paper return for the tax and fee programs listed below in February and March 2020. The final return included a CDTFA-5073, *One-Time Business Access Letter*, which provided instructions to *Sign Up Now* at [https://onlineservices.cdtfa.ca.gov/\\_/](https://onlineservices.cdtfa.ca.gov/_/) for a *username* and *password*, to file online.

In addition, a special notice, *Our New Online Services System Expands to Include All Tax and Fee Programs* located at [www.cdtfa.ca.gov/formspubs/l744.pdf](http://www.cdtfa.ca.gov/formspubs/l744.pdf), was sent in April 2020 to the tax and fee programs listed below. It provides information about our transition to the new online services system in November 2020.

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



### Be Counted!

Have you filled out your #2020Census? If not, visit [californiacensus.org](http://californiacensus.org) today and take the Census now! Remember, the Census will never ask about your citizenship status or for your social security number, bank details, payment, or a donation. Remind your friends and family to #BeCounted for our future so resources are allocated for programs that help children, seniors, and families that need the hospitals, education, transportation, and first responders in your area. Your 2020 Census data is safe, protected, and confidential.

Complete your Census today! #ICount #CaliforniaForAll

### 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  
(CRS: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).

#### New and Revised Publications Available Online

For new and revised publications, see our website at [www.cdtfa.ca.gov/formspubs/pubs.htm](http://www.cdtfa.ca.gov/formspubs/pubs.htm).

Thank you for connecting with us.

