



CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

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EDMUND G. BROWN JR.
Governor

MARYBEL BATJER
Secretary, Government Operations Agency

NICOLAS MADUROS
Director

October 3, 2017

VIA INTERNET

Dear Interested Party:

The Compliance Policy and Procedures Manual (CPPM) is a guide for the California Department of Tax and Fee Administration (CDTFA) staff in administering tax and fee programs. It is available to the public and can be accessed from the CDTFA web page at <http://www.boe.ca.gov/sutax/staxmanuals.htm>.

The Business Tax and Fee Division is proposing to add CPPM sections 110.020 – 110.030 to incorporate information about the Lumber Products Assessment and the Prepaid Mobile Telephony Services Surcharge.

The revision material is provided on the following pages for the convenience of interested parties who may wish to submit comments or suggestions. Please feel free to publish this information on your website or otherwise distribute it to your association/members.

If you have any comments or suggestions related to the proposed CPPM revisions, you may contact the CDTFA at CPPM.RevisionSuggestions@boe.ca.gov. Your comments or suggestions must be received by the CDTFA no later than **December 4, 2017**, in order to be considered by staff. Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Trista Gonzalez".

Trista Gonzalez, Chief
Tax Policy Bureau
Business Tax and Fee Division

LUMBER PRODUCTS ASSESSMENT

110.020

Beginning January 1, 2013, purchases of lumber products and engineered wood products for use in California are subject to a one percent (1%) assessment based on the selling price of the product. Retailers must separately state the amount of the assessment on a sales receipt provided to the purchaser. In addition to retailers, the law affects purchasers, including construction contractors, who use these products in California.

Effective January 1, 2015, retailers selling less than \$25,000 of qualifying lumber products during the previous calendar year are not required to register and collect the assessment from their customers. However, they may choose to do so voluntarily. If they do not voluntarily collect the assessment, they are still required to track their annual sales to determine whether or not they will be required to collect the assessment during the following year. Retailers who do not collect the assessment are also required to notify purchasers that the purchasers must pay the assessment directly to the California Department of Tax and Fee Administration (CDTFA).

Retailers may retain up to \$250 of the amount of assessments collected from customers for each business location registered under the retailer's seller's permit as of January 1, 2013, as reimbursement for start-up costs per Lumber Products Assessment (LPA) Regulation 2000, *Retailer Reimbursement Retention*. Beginning January 1, 2014, retailers eligible to retain reimbursement for start-up costs may retain an additional \$485 per business location as reimbursement for start-up costs as outlined in LPA Regulation 2001, *Additional Allowed Retailer Reimbursement Retention*.

The lumber products assessment funds various agencies including the Department of Forestry and Fire Protection to reduce the costs of wildland fire suppression, reduce greenhouse gas emissions, promote adaptation of forested landscapes to changing climate, improve forest health, and protect homes and communities. The CDTFA is responsible for administering this assessment pursuant to the Fee Collection Procedure Law. The Lumber Products Assessment industry guide provides detailed information and resources and is available to the public on the CDTFA's website.

PREPAID MOBILE TELEPHONY SERVICES SURCHARGE

110.030

Effective January 1, 2016, a Prepaid Mobile Telephony Services (MTS) Surcharge is imposed on consumers of prepaid wireless services and products (e.g., prepaid wireless plans, prepaid wireless airtime cards) purchased in a retail transaction in California. Sellers of prepaid wireless services and products are required to charge and collect the surcharge at the time of the sale.

Under the law, a seller is defined as a person who sells prepaid MTS to another person in a retail transaction. This includes 1) indirect sellers, such as third-party retailers, and 2) direct sellers. A direct seller includes a telecommunication service supplier who sells prepaid MTS directly to consumers. Prepaid MTS sellers other than direct sellers who sell prepaid MTS to consumers are typically referred to as "indirect sellers." Registration, filing, and reporting requirements for indirect sellers are different than those for direct sellers.

Prepaid MTS sellers (other than direct sellers) may retain 2% of the prepaid MTS surcharge collected as reimbursement for their costs of collecting the surcharge.

Small Seller Exemption

Effective January 1, 2017, indirect sellers with less than \$15,000 of sales of prepaid MTS in the previous calendar year are not required to collect the prepaid MTS surcharge from their customers. However, they are required to maintain adequate records of their prepaid MTS sales to establish that they qualify for the small seller exemption. The \$15,000 threshold is subject to adjustment annually.

Lifeline Exemption

Purchases from direct sellers by certain consumers of prepaid MTS, either alone or in combination with mobile data or other services, may be exempt under the state or federal lifeline program. To qualify, the prepaid consumer must be certified as eligible for the state or federal lifeline program, and the seller must be authorized to provide lifeline service under the state or federal lifeline program. The exemption is applied only to the amount paid for the portion of the prepaid mobile telephony service that the lifeline program specifies is exempt from the surcharges and fees that comprise the prepaid MTS surcharge.

Prepaid MTS Surcharge Rate

The California Department of Tax and Fee Administration (CDTFA) is required to calculate the prepaid MTS surcharge rate annually, and will post the combined total of the prepaid MTS surcharge rate and local rate(s) for each jurisdiction by December 1 of each year, to be effective the following January 1. Any new local charges and adjustments to existing local charges will be posted to the CDTFA's website by March 1 and will be effective on April 1. A detailed breakdown of the current individual rates for the prepaid 911 surcharge, California Public Utilities Commission surcharges, and a separate listing of local charges are available on the CDTFA's website.

The term "prepaid MTS surcharge" refers to all three components of the surcharge: amounts for the emergency telephone users (prepaid 911) surcharge, the California Public Utilities Commission reimbursement fee and universal service surcharges, and any local charges imposed on prepaid MTS.

There is additional information in the Prepaid Mobile Telephony Services (MTS) Surcharge guide on the CDTFA's website.