

Compliance Policy and Procedures Manual

Chapter 2

Registration

Business Tax and Fee Division
*California Department of
Tax and Fee Administration*

This is an advisory publication providing direction to staff administering the Sales and Use Tax Law and Regulations. Although this material is revised periodically, the most current material may be contained in other resources including Operations Memoranda and Policy Memoranda. Please contact any California Department of Tax and Fee Administration office if there are concerns regarding any section of this publication.

Table of Contents

REGISTRATION.....	200.000
General Statement on Registration	200.010
Registration Defined	200.020
Customer Defined.....	200.030
Taxpayer Defined.....	200.040
Online Registration	203.000
User Registration.....	203.010
Team Member Access to Online Registration.....	203.020
Entity Validation	203.040
Additional Processing Required	203.050
Registration and Licensing Section	203.053
Refusal to Issue Seller’s Permit	203.055
Application Status.....	203.060
Registration Work Items	203.070
In-Person Registration.....	203.080
One-On-One Assistance.....	203.090
Full-Service Assistance	203.100
Tax Clearances For Vehicles and Vessels.....	203.110
Payments Required as Part of Application Process	203.120
Automatic License Renewals	203.125
Taxpayers Without Email Accounts and/or Internet Access.....	203.130
Procedure when Online Registration is Unavailable	203.140
Safe At Home Confidential Address Program.....	203.200
In-State Voluntary Disclosure Program	203.220
Out-Of-State Voluntary Disclosure Program.....	203.230
MANUAL REGISTRATION	205.000
When to Use Manual Registration Procedures	205.010
Client Taxpayer System	205.015
Registration	205.017
Applications for Permit, License, or Account	205.020
Registering Celebrity and High Profile Accounts	205.023
Issuing Permits Before Start of Business	205.025
Information for Applicants	205.040
Decision Table For Issuing a Sales and Use Tax Permit	205.050
Types of Application Forms for Programs Ineligible for Online Registration.....	205.060
SALES TAX PERMITS.....	210.000
Seller’s Permit	210.010
Permit of Deceased Taxpayer — Liquidation Sale	210.020
Permit of Deceased Taxpayer — Partnership	210.030
Municipal Improvement Corporations.....	210.040
USE TAX REGISTRATION	215.000
Which Taxable Activity Type?	215.010
Consumer Use Tax Permit (TAT SU) — When Issued	215.020
Consumers Located in a District.....	215.030
Certificate of Registration, Use Tax (TAT SC) — When Issued	215.040
Consumer Use Tax Accounts — Local Tax Allocation	215.060
District Use Taxes.....	215.070
Qualified Purchaser (QP) - Use Tax	215.100

REGISTRATION

TABLE OF CONTENTS

(CONT.)

CODING THE PERMIT	230.000
Overview.....	230.005
Taxable Activity Type (TAT).....	230.007
Basis Codes	230.010
Coding for the Type of Business.....	230.020
Tax Area Code	230.030
Owner Code	230.040
Original Starting Date	230.050
Limited Liability Companies.....	230.055
Limited Liability Partnerships (LLP).....	230.056
Unincorporated Business Organizations (UBO).....	230.057
Account Characteristic Code	230.060
IRIS Lead Source	230.070
Accountants' Mailing Code	230.080
Basis Review Protect Codes (BRP)	230.095
REPORTING BASIS	235.000
Sales Tax Prepayments.....	235.010
Late Application For a Seller's Permit — Prepayment Account.....	235.015
Reporting Basis Guidelines	235.025
Electronic Funds Transfer Program (EFT).....	235.035
Regular Reporting Basis.....	235.065
Special Reporting Basis	235.070
DIFFERENT CLASSES OF SALES TAX ACCOUNTS	240.000
Overview.....	240.005
Single Outlet Accounts	240.010
Regular Sellers	240.020
Classified Sellers	240.030
Decision Table — Special Sellers, Classified Sellers	240.035
Special Sellers.....	240.040
Temporary Sellers.....	240.050
CONSOLIDATED ACCOUNTS — REGISTRATION	245.000
Consolidated Accounts Defined.....	245.005
Master Location Defined.....	245.010
Sublocation Defined	245.015
Persons To Whom Issued.....	245.020
Consolidated Accounts in a Single Taxing Jurisdiction.....	245.025
Regular Consolidated Accounts Requiring Local Tax Allocation	245.030
Consolidated Accounts — Special Sellers.....	245.035
Consolidated Accounts — Itinerant Vendors	245.040
Consolidated Account	245.050
Temporary Consolidated Accounts	245.060
Permits for Gasoline Stations Operated Temporarily by Oil Companies	245.065
Retailers of Gasoline Qualifying as Retailers Under Section 6015	245.070
Consolidated Accounts — Decision Table	245.075

COMPLIANCE POLICY AND PROCEDURES MANUAL

TABLE OF CONTENTS	(CONT.)
TEMPORARY SELLERS	250.000
Overview.....	250.005
Temporary Sellers: Books and Records Out-of-State.....	250.006
Temporary Sellers — Registration.....	250.010
REGULAR SELLERS	255.000
Overview.....	255.005
Concessionaires.....	255.010
Salespersons and Order Takers.....	255.020
Hobbyists and Part-Time Sellers.....	255.030
Barber, Beauty Shops and Service Businesses.....	255.035
Swap Meets, Flea Markets and Special Events.....	255.045
Charitable Organizations.....	255.050
Tax Exemption for Nonprofit Organizations Distributing New Children’s Clothing Without Charge.....	255.051
Exempt Youth Organizations.....	255.052
Sales of Food Products By Blind Operators Licensed By the Department of Rehabilitation.....	255.055
Sales of Food Products Where Admission is Charged.....	255.056
Temporary Retail Permit (Liquor License).....	255.060
Cannabis Sellers.....	255.063
Medical Cannabis Sellers.....	255.065
Certificate of Registration – Lender.....	255.070
CLASSIFIED SELLERS.....	260.000
Overview.....	260.005
Itinerant Vendors (Traveling Permits).....	260.010
Contractors.....	260.020
SPECIAL SELLERS	265.000
Overview.....	265.005
Persons Qualifying as Retailers Under RTC Section 6015.....	265.010
Rescission of Approval to Operate Under RTC Section 6015.....	265.020
Coding for Retailers Under RTC Section 6015.....	265.025
Auctioneers, Out-of-state Retailers, and Purchasers.....	265.030
Vending Machine Operators.....	265.040
Sellers Purchasing Ex-Tax For Use at Locations Not Requiring a Permit.....	265.050
Vehicle Dealer Accounts – Used.....	265.053
Vehicle Lessors.....	265.055
Winegrowers.....	265.060
Indian Retailers.....	265.065
SALES TAX ACCOUNTS WITH RECORDS OUT-OF-STATE	270.000
General.....	270.010
Field Office Report on Out-of-State Accounts.....	270.020
Purpose of the Report On Out-of-State Accounts.....	270.030
Use of the Report on Out-of-State Accounts by the Out-of-State Office.....	270.040
Single Outlet Out-of-State Accounts.....	270.060
Consolidated Out-of-State Accounts.....	270.070
Fringe Area Accounts.....	270.080

REGISTRATION

TABLE OF CONTENTS	(CONT.)
PERMITS AND LICENSES	275.000
Issuance of Permits and Licenses (CDTFA-442).....	275.010
Registration Procedures in Case of System Failure	275.035
Reissuance or Replacement of Permits and Licenses	275.040
Preparation of Permits, License and Certificates in General.....	275.050
Disclosure of Driver License and Social Security Numbers	275.060
Annual Privacy Notice	275.070
MEXICAN MERCHANTS AND EXPORTERS	280.000
General.....	280.010
Mexican Purchasers	280.020
Sales to Mexican Retailers and Consumers — Decision Table.....	280.030
PRECOLLECTION OF SALES TAX ON FUEL	285.000
What is the “SG” Program?	285.005
Similarities With the Motor Vehicle Fuel Taxable Activity Type	285.010
Due Dates for Precollection Returns	285.020
Application Procedures for SG Accounts.....	285.030
FLOOR TAXES	292.000
General.....	292.005
Method of Determining Which Accounts Are Subject to Floor Tax	292.010
Delinquency Controls for Floor Stock Program	292.030
MISCELLANEOUS	295.000
Assistance for Hearing Impaired Taxpayers	295.005
Implementation of National Voter Registration Act (Motor Voter Bill)	295.010
Applications for Permits Taken for Other Offices	295.020
Delivery of Permit or License to Applicant.....	295.030
Seller’s Permits to Make Ex-Tax Purchases.....	295.040
Occasional Sales.....	295.050
Use Tax Direct Payment Permit.....	295.060
Consumer Use Tax — Temporary Accounts	295.080
Arbitrary Account Numbers.....	295.090
Procedure to Issue Arbitrary Account Numbers.....	295.091
Consumer Use Tax Account Numbers.....	295.095
Pending Applications	295.120
Cannabis Distributors	295.130

REGISTRATION 200.000

GENERAL STATEMENT ON REGISTRATION 200.010

Tax and fee payers (“taxpayers”) register online for most tax and fee programs on the California Department of Tax and Fee Administration (CDTFA) website (www.cdtfa.ca.gov), through an online registration system. In some instances, team members may need to manually register taxpayers, which is discussed in CPPM section 275.035.

REGISTRATION DEFINED 200.020

Registration is defined as those functions related to the online input of data which result in the establishment of a new customer, identified by a Taxpayer Identification Number (TIN), and/or account number. Registration identifies the type of business activity by the account type for programs administered by the CDTFA. This chapter provides policy and procedures for registration of tax and fee programs.

“Registration” does not include changes made to an existing account or reinstatement after an account is closed in error. These functions are covered in depth in Chapter 3, *Account Maintenance*.

CUSTOMER DEFINED 200.030

A customer is any person who can be uniquely identified and for whom the CDTFA needs to keep information, such as name and address, for the collection and administration of taxes. The CDTFA may use this information to send correspondence, tax returns, notices, and billings.

TAXPAYER DEFINED 200.040

A taxpayer is a customer who applies for a permit, license or account, or is required to be registered for one or more programs administered by the CDTFA. A taxing jurisdiction or governmental agency may also be a taxpayer if they meet these requirements.

ONLINE REGISTRATION 203.000

Taxpayers register online by accessing the CDTFA’s website. During this process, taxpayers answer questions regarding their business activities and the system identifies all permits, licenses, and/or accounts they must obtain. This allows taxpayers to efficiently register for most programs the CDTFA administers.

The following can be done through online registration:

- Register for permits, licenses, and/or accounts for most tax and fee programs¹
- Add a new business location to an existing CDTFA account
- Register as a qualified purchaser
- Renew a license for cigarette and tobacco products
- Register to pay taxes on internet purchases of cigarette or tobacco products
- Register for an International Fuel Tax Agreement (IFTA) account and purchase IFTA decals
- Apply for and purchase a California Fuel Trip permit
- Apply for and purchase Annual Flat Rate Decals for private passenger vehicles
- Pay use tax on one-time purchases
- Pay use tax or claim an exemption for vehicles, vessels, aircraft, and manufactured or mobile homes

¹ For existing accounts that must register for the Lumber Fee, taxpayers must contact either the CDTFA Customer Service Center or their local office. For newly registered accounts, registration for the Lumber Fee is included when registering for a Seller’s Permit.

REGISTRATION

ONLINE REGISTRATION

(CONT.) 203.000

For many tax and fee programs, an account is immediately issued after the taxpayer submits all required information and the taxpayer's identity can be validated. The online registration system automatically saves the application each time the taxpayer navigates to the next screen in the application. Applications are retained for 30 days from the date they were last updated or saved. After the 30 days, incomplete applications are purged and cannot be retrieved, and the taxpayer will need to restart the process.

Once an application is submitted, no changes can be made to the information provided by the taxpayer. This is intentional, as the application must remain in its original submitted form.

USER REGISTRATION

203.010

Once the customer has registered a new business activity, they can create a username and password to log on. The system will ask if the user is the business owner or a third-party delegate. Business owners will then be asked if they have received a letter with a security code. If the customer indicates they do not have the security code, they will be directed to the Request Security Code page. A message on the screen instructs that a hard copy letter with a security code will be mailed to the address on file for the business. The security code expires 90 days from the date of the letter. If the customer needs immediate access, team members may provide the security code in person or over the phone if the proper identification is provided. Team members must enter notes in the system at the customer level with the name and title of the customer and whether or not the code was provided.

Before providing the security code, team members must first verify the caller is the taxpayer who may receive the information. For individuals, married co-ownerships or partnerships, the inquiring taxpayer must provide their:

- Full social security number, or
- Driver's license number

For corporations or other organizations, the corporate officer or member inquiring (who is listed on the account as an active officer or member) must provide one of the following to be verified:

- Driver's license number, or
- Full social security number if the number is available in the system (corporate officers are not required to provide their social security number during registration, see CPPM section 275.060)

If the customer identifies themselves as a third-party delegate (e.g., tax preparer, employee, spouse), the security code may not be provided. If the third party has an online profile, they can request access to the account and a letter will be sent to the business owner with instructions how to provide access to the third party. If the third party does not have an online profile, they must create a username and password before requesting access. If the third party needs the code before the letter is received by the business owner, the business owner may contact a team member, verify their identity, obtain the code, and provide it to the third party.

USER REGISTRATION

(CONT.1) 203.010

Once taxpayers establish their username and password, they will be able to apply for additional permits and licenses, file returns (applicable to most tax and fee programs), make payments, order cigarette stamps (for cigarette distributors only), request relief, add new business locations to an existing account, and manage multiple accounts. In addition, they can view and print the permit or license, as well as any applicable publications or regulations. These documents will remain available to taxpayers indefinitely on the registration system so they can be viewed or printed at any time.

Customers who manage more than one account will be able to view the account numbers and names of all the accounts grouped by tax program on the customer or registered user level. Once the customer selects an account, the account level page will display the taxpayer's information and the functions available.

Access Types – Once a customer is registered, they will have the ability to grant a specific access level to a third party. The access type determines which actions are available to manage an account. Levels of access that can be granted are:

- All Access – Full access to all online function on behalf of the taxpayer
- File Return – Access is restricted to filing returns
- Make Payment – Access is restricted to making payments
- File and Pay – Access is restricted to file returns and make payments
- View Only – Access is restricted to view account information

The third party must register for an online services profile on the CDTFA website and request access to an account. The taxpayer can approve the request, as well as modify or cancel access online. Taxpayers can also use the CDTFA-91-B, *Taxpayer/Feepayer Authorization for Tax Preparer to Perform Electronic Services* to authorize access to their tax preparer. Once a business owner or third party has gained access to the account(s), they can grant access to a secondary user without any additional security code requirements. Based on the authorized access granted, the secondary user may be able to perform tasks, such as filing returns and making payments. If the business owner or third party cancels their online profile, the secondary user's access will automatically be canceled.

Link an Account – Owners and authorized users can manage multiple related accounts. If the system finds a taxpayer match at the time of registration, it will provide the name and address on file and ask the taxpayer if that is correct. If the taxpayer confirms the information, the system will automatically link the accounts including online services. If a taxpayer is involved with more than one entity type, the system will link the accounts that are the same entity, but the taxpayer will need to request access to accounts with a different entity type. During the matching process, if the name and address match an existing taxpayer, but the other identifying information does not match, a work item is created in the system for team members to review and resolve. Team members should review the transaction and determine if the account should be linked to the registered user and if the customer's TIN should be consolidated, or if the link should be denied.

TEAM MEMBER ACCESS TO ONLINE REGISTRATION

203.020

When a taxpayer saves an application, the system will assign a confirmation code. The code is used for locating applications not yet submitted or when an account number has not yet been assigned. Most team members can locate, view, and print applications previously started or completed. However, some team members have additional access needed to process the application. Taxpayers will have to provide team members with a confirmation code to access the registration session. Team members' access to the registration system is maintained by the User Access Team. Registration team members who do not have access to the online registration system should notify their supervisor.

ENTITY VALIDATION

203.040

When a taxpayer submits their application, the system will attempt to validate their identity by comparing the information provided to existing taxpayer data in the system, Department of Motor Vehicles (DMV) data, Secretary of State (SOS) data, or other external data. This includes secondary ownership individuals such as corporate officers, members, and partners.

If the taxpayer enters a California Driver License or ID number that the system is unable to validate, it will prompt the taxpayer to correct the information. The taxpayer has three opportunities to correct the information before they will be locked out of their online application. The taxpayer then has 30 days from the date the application was last updated to contact CDTFA to resolve the validation issue. After 30 days, the application will be purged from the system.

If the identification type is not one that can be validated by the system, such as an out-of-state driver's license or passport, a work item is automatically created for team members to validate the taxpayer's identity, which may include viewing documentation provided by the taxpayer. In addition, the following entity types will require manual validation:

- Corporations or Limited Liability Companies not registered with California SOS¹
- Limited Liability Partnerships
- Limited Partnerships
- Joint Ventures
- Organizations or Associations
- Estates or Trusts
- Receiverships or Fiduciaries
- Unincorporated Business Organizations
- Federal, State or Local Governments

¹ The system will allow for out-of-state corporations that are not registered with the California Secretary of State (SOS) to register online for Fuel Exemption Registration and Certificate of Registration, Use Tax without providing a California SOS number.

ADDITIONAL PROCESSING REQUIRED

203.050

Some tax and fee programs may require additional processing prior to an account being issued. For these programs, the system may create an assignment or work item for team members to review. The taxpayer will be given the option to upload documentation to the system or they will be provided information on how to submit the documentation by mailing it to the appropriate office. The following tax and fee programs require additional processing:

- Alcoholic Beverage
- Cigarette and Tobacco Products
- IFTA
- Aircraft Jet Fuel
- Diesel Fuel Supplier
- Diesel Fuel Exempt User
- Diesel Ultimate Vendor
- Diesel Fuel Exempt Seller
- Motor Vehicle Fuel Supplier
- Petroleum Terminal Operator
- Alternative Fuel Exempt Bus
- Diesel Fuel Exempt Bus Operator
- Diesel Fuel Government
- Underground Storage Tank
- Use Fuel Flat Rate Decals
- Hazardous Waste Generator
- Timber

REGISTRATION AND LICENSING SECTION

203.053

Online registration is not available for all programs. Some programs that are administered jointly with another agency or are involuntary tax/fee programs are registered through electronic downloads. The following tax and fee programs are not eligible for online registration:

Involuntary Registration

- Childhood Lead Poisoning Prevention Architectural Coatings
- Childhood Lead Poisoning Prevention Motor Vehicle Fuel Distributors
- Childhood Lead Poisoning Prevention Air Emitters
- Fuel Assessment
- Hazardous Waste Disposal Fee
- Hazardous Waste Facility Fee
- Hazardous Waste Facility Fee – Federal
- Transportable Treatment Unit Fee
- Hazardous Waste Generator Fee – Federal
- Insurance Tax – Surplus Line Broker
- Insurance Tax
- Integrated Waste Management Fee
- Water Rights

REFUSAL TO ISSUE SELLER'S PERMIT

203.055

Pursuant to Revenue and Taxation Code (RTC) section 6070.5, *Authorization to refuse issuance of permit*, the CDTFA may refuse to issue a seller's permit to any person submitting an application if the person has an outstanding final (i.e., "due and payable") sales and use tax liability. Additionally, the CDTFA may refuse to issue a seller's permit when the person applying for the permit is not a natural person (i.e., a corporation or Limited Liability Company (LLC)) and is controlled by a person with an outstanding final liability (see Regulation 1699(g)(3)). However, a seller's permit will be issued when the person with the outstanding final liability enters into a payment plan and is in full compliance with the terms of the plan or has an accepted Offer in Compromise (OIC) and is in full compliance with the terms of the OIC agreement.

There are no provisions in RTC section 6070.5 that allow the CDTFA to close or cancel a seller's permit after it has been issued. However, team members may revoke a permit under RTC section 6070, *Revocation of permit*, when they are able to show that a person with an active seller's permit has failed to comply with provisions of the Sales and Use Tax Law, rule, or regulation.

The *Declaration of Intent* (DI) screen, which appears at the conclusion of the registration process, includes the following declarations of true statements that the applicant must accept before they are issued a seller's permit:

- *It is my intent to register for a California tax or fee permit, license and/or account with the California Department of Tax and Fee Administration (CDTFA).*
- *I declare that all the information I provide for this electronic application has been examined by me and to the best of my knowledge and belief is a true, correct and complete application. I understand that I will be creating a tax, fee or license account that may result in the responsibility to file returns and/or result in the responsibility to pay a tax or fee to the CDTFA. I certify that I am duly authorized to submit this application and that all parties responsible for paying the tax or fees associated with the account(s) that will be created by this application are aware that I am submitting the application on their behalf.*

As I am registering for a sales and use tax permit;

- *I declare that either I currently do not have an outstanding final liability for sales and use tax with the CDTFA under a different account, either open or closed; or, if I do have an outstanding liability, I am currently in a payment plan and in full compliance with the terms of the plan.*
- *I further declare that, if the person applying for the permit is a partnership, corporation, LLP, or LLC, that none of the listed partners, officers, or members has an outstanding final liability for sales and use tax with the CDTFA under a different account, either open or closed; or, if they do have an outstanding liability, they are currently in a payment plan and in full compliance with the terms of the plan.*

An applicant who accepts the DI will continue through the registration process to obtain their seller's permit. However, an applicant who does not check the box to accept the DI will receive the following message:

The current section is not complete or is in error. Please complete before continuing.

REFUSAL TO ISSUE SELLER'S PERMIT

(CONT.) 203.055

A person who was issued a seller's permit may not have complied with RTC section 6066, *Application for permit*, if the CDTFA determines that at the time of application, the person falsely accepted the DI as a true statement. If team members can establish that the person did not comply with RTC section 6066, they may initiate the revocation process under RTC section 6070 to revoke the person's active seller's permit. This does not apply to a person issued a seller's permit before January 1, 2014. See CPPM section 751.135 to determine how to proceed when a permit was issued in violation of RTC 6066.

New Accounts with an Outstanding Balance on Related Account

The system will check if the taxpayer has a related account with a liability greater than \$500. If the taxpayer has a liability greater than \$500, they will not receive a new account number until their liability is resolved. The system will generate a work item for team members to review the registration hold. The responsible team member should call the taxpayer to advise them of the outstanding liability and ask them to pay in full, or direct taxpayers to request a payment plan. If the payment plan does not meet the system's guidelines for automatic approval per CPPM 770.012, a work item will be created for a collector to review. The collector should contact the taxpayer to negotiate a payment plan including conducting a financial review per CPPM 770.013.

After reviewing the account to confirm that a permit may be refused under RTC section 6070.5, the responsible collector should discuss the account with their supervisor to determine if it is in the State's best interest to issue the permit. If it is determined that it is not in the best interest of the state, the responsible collector will add their review notes and then route the account to their supervisor who will enter their notes regarding the decision to deny the issuance of the permit and close the assignment. If the taxpayer is unwilling to pay in full or enter into a payment plan, the responsible collector will send a CDTFA-1680, *Notice of Permit Denial at Registration*, to the address of record of the applicant and enter notes in the person's active or closed account in the system. This form provides an explanation to the applicant why their seller's permit application is denied and informs them of their payment options as well as their right to send a written request for reconsideration within 30 days from the date of denial listed on the notice.

If a timely request for reconsideration is received, a hearing by the Compliance Principal or their designee will be held in the office of control within ten (10) days of the date the request for reconsideration is received (RTC 6070). A CDTFA-420-P, *Notice of Hearing (RTC 6070.5)*, which is available on the CDTFA's intranet site, should be used to inform the taxpayer of the date and time of the hearing. Notes should also be entered in the person's active or closed account to document information regarding the hearing. If a request for reconsideration is not filed within the 30-day period, the denial becomes final at the end of the 30-day period.

APPLICATION STATUS**203.060**

Once the taxpayer has completed the online registration process, a submission notification email is sent with a “Get Status” link. This link takes the taxpayer to the Check Your Registration Status page where they must enter their email address and confirmation number to receive their approved account numbers. The application notification email is sent when accounts are approved. The system will create a work item for accounts that need further processing.

Registration team members can search for pending applications using the confirmation number that the taxpayer received at the end of the online registration process. Team members have the ability to take certain actions on applications. Essentially, there are two primary actions: Deny and Create Customer/Account. Team members should review the case and request any applicable documentation prior to approving the creation of the account.

REGISTRATION WORK ITEMS**203.070**

In some cases, the registration process cannot be completed until a team member completes a work item related to the registration. When this occurs, a work item is created that identifies the specific issues affecting an application. Work items that are preventing registration from completing are a priority and must be completed by team members no later than eight (8) business days following the date the work item was created.

Work items are accessed through the system using the case ID or account number. Work items are created when:

- A team member needs to manually review information that the system was not able to electronically verify,
- An application includes information that conflicts with current CDTFAs records,
- The taxpayer has not provided payment on accounts that require payment (security, fee, final liability etc.),
- The tax or fee program rules require additional processing, or
- Some action is required after an account has been issued.

Use the system’s Help Manager for instructions on how to locate work items related to registration. Field Operation Division (FOD) registration team members should not review cases or work items related to registering Special Tax and Fee accounts. Likewise, Special Tax and Fee registration team members should not review cases or work items related to registering Sales and Use tax accounts.

Several work items can be created for a single application. Each work item is routed to the appropriate office, section, or unit for processing. For example, applications for a seller’s permit where the entity could not be validated by the registration system are assigned to the appropriate field office.

IN-PERSON REGISTRATION

203.080

Field offices and the Motor Carrier Offices have self-service computers (“kiosks”) located in the lobby. In offices without an automated self-check-in kiosk, taxpayers will check in with the receptionist. All field offices will use the visit manager in the system.

Taxpayers should be directed to a kiosk to self-register, after being advised of the information required to complete the registration process (e.g. email address, physical business address, and supplier information). At least one team member must be available at all times to assist taxpayers as needed.

The kiosks are connected to a printer which will allow taxpayers to print the permit or license. However, the printers are located in field office work areas because printouts may contain confidential information. Taxpayers should be advised where to obtain their printed permit or license (e.g. receptionist or other team member at the counter) after they have completed registration. A permit or license should only be provided to the owner or authorized user associated with the account, who must show identification (driver license or other government issued identification card) before the permit or license can be furnished to the taxpayer or authorized user. If the person requesting the permit or license is not the owner but an authorized user (e.g. bookkeeper or employee), the permit or license can only be provided if the person has a signed power of attorney or other written authorization signed by the business owner.

Taxpayers should be encouraged **not** to print the entire registration package including publications and regulations since those items are available indefinitely and can be printed from a home computer. It is the taxpayer’s responsibility to log off the registration system, however team members monitoring kiosks should routinely view kiosks and log out for taxpayers who forgot to do so themselves.

ONE-ON-ONE ASSISTANCE

203.090

Some taxpayers may require extensive assistance to register. In those cases, the taxpayer should be directed to a specified computer within the office so registration team members can provide one-on-one assistance. The one-on-one assistance area should be set up in such a manner that allows taxpayers to input registration information themselves while team members assist them and can view their information on a separate computer monitor. For information security purposes, the computer used for this purpose must be in “kiosk mode” to prevent taxpayers from having access to CDTFA systems and/or data. In addition, taxpayers requiring one-on-one assistance must be tracked using the visit manager in the system.

FULL-SERVICE ASSISTANCE

203.100

Some taxpayers may be unable to use online registration (e.g., due to a physical limitation) and need assistance inputting their data into the registration system. Similar to one-on-one assistance, taxpayers will be directed to the specified computer. Registration team members will then log on to the online registration system themselves and assist the taxpayer with the entire registration process. Comments must be entered in the system giving a brief explanation regarding the reason for full-service assistance. Taxpayers requiring full-service assistance must also be tracked using the visit manager in the system.

TAX CLEARANCES FOR VEHICLES AND VESSELS**203.110**

Requests for a tax clearance (CDTFA-111 for use tax or CDTFA-329 for excise tax for vehicles that use alternative fuels) or requests for refund of tax previously paid can be made on the CDTFA website. Taxpayers that need to pick up a clearance certificate, as early as the same day, can request to pick it up at a local field office where the request will be processed, provided all supporting documentation is received by the issuing office.

The taxpayer must provide team members working in the field office with the confirmation number they received upon completing the online request. If a taxpayer wishes to have the clearance mailed to them, the Consumer Use Tax Section (CUTS) or Motor Carrier Office will process the request, depending on the type of tax clearance being requested.

PAYMENTS REQUIRED AS PART OF APPLICATION PROCESS**203.120**

Some tax and fee programs (e.g. Fuel Trip Permit, Alternative Fuel Decal, IFTA, and Cigarette License) require a payment to be submitted as part of the application process. The two payment options offered are electronic debit from a bank account (ACH Debit) or credit card. The following procedures should be followed in instances where a taxpayer wishes to pay using another method (e.g. cash, check, or money order). Note, this is only applicable to Alternative Fuel and IFTA accounts

1. The taxpayer will begin the application and select 'Pay in Person' when they reach the payment screen. The taxpayer should note the confirmation number and the total amount due, and log out of the registration system
2. The taxpayer will be directed to the field office cashier to make the required payment.
3. If the taxpayer requires a hard copy of the permit or license, they can either print it from their home, at the kiosk, or a team member can print it for them.

AUTOMATIC LICENSE RENEWALS**203.125****Cigarette and Tobacco Products**

Licensees with accounts registered under the Cigarette and Tobacco Products Licensing Program are required to annually renew their Cigarette and Tobacco Products license(s). The renewals are processed through the online registration system. The CDTFA will send two notifications, one by U.S. mail and the other by email, approximately 60 days prior to the date the license expires. The notifications will inform the licensees that their license is about to expire and will instruct them to log on to CDTFA's website to complete the renewal process and pay their renewal fees, if applicable. A follow-up reminder will be sent by email 30 days before the license is set to expire to those not yet renewed.

Cigarette and Tobacco Products **retailers** are required to renew their license(s) annually and pay the renewal fee of \$265 per location on or before the expiration date. Taxpayers who renew their license after they have allowed it to expire can reinstate their account. If they wish to reinstate their license, there is no reinstatement fee; however, the \$265 annual renewal fee is required.

Cigarette and Tobacco Products **wholesalers and distributors** are required to annually renew their license(s) on or before January 1, and they must include a renewal fee of \$1,200 per business location. The annual renewal notification is sent by mail and email 60 days prior to the date the license expires. If not renewed, a follow-up reminder is sent by email 30 days prior to the date the license expires. If they do not renew their license, their reporting account will be closed automatically effective December 31. If they wish to reinstate their reporting accounts and renew their license, the \$1,200 annual renewal fee is required.

AUTOMATIC LICENSE RENEWALS

(CONT.) 203.125

Cigarette and Tobacco Products **manufacturers and importers** must also annually renew their license(s). The annual renewal notification is sent by mail and email 60 days prior to the date the license expires, with a follow-up email sent 30 days prior to the date the license expires to those not yet renewed. There are no renewal fees; however, if they do not renew their license, their reporting account will be closed automatically effective December 31. If they wish to reinstate their reporting account and renew their license, they must contact the CDTFA.

International Fuel Tax Agreement (IFTA)

Accounts registered under the IFTA program are required to renew their IFTA license and obtain new IFTA decals on an annual basis by completing a renewal application. Renewal applications are completed and processed through the Online Services system. The CDTFA will send two license renewal notification emails. The first email is sent on December 1 or the last business day in November (whichever is a later business day), informing the licensee about the renewal requirement and process. The second email is sent January 2 (or the following business day), to all accounts that have not renewed, informing the licensee their account will be closed for failure to file a renewal application.

Accounts that do not renew will be closed automatically with a cease reason “License Not Renewed” effective December 31. Licensees wishing to reopen their account may do so through Online Services. The account will be automatically reopened if it meets certain criteria and if the cease date is within 18 months. After 18 months, the licensee must contact CDTFA to reopen the account.

TAXPAYERS WITHOUT EMAIL ACCOUNTS AND/OR INTERNET ACCESS

203.130

Taxpayers must have an email account to register. This allows them to receive emails informing them of status changes to their application. Taxpayers should be informed of the reason why an email address is required and must be established prior to beginning the registration process. Because Internet access from CDTFA kiosks is limited to the websites of CDTFA and the ACI Payments, Inc (the company that processes credit card payments), taxpayers will not be able to establish an email account from the CDTFA kiosk and must use a non-CDTFA computer.

Taxpayers without Internet access should be advised to visit a location where Internet access is available (e.g., public library) or a field office to register or file returns if they already have an email account.

Sales and use tax accounts are generally required to file returns online. Taxpayers not able to abide by the online filing mandate may request an exemption by submitting CDTFA-245-OYE, *Online Filing Exemption Request*, to the Return Analysis Unit (RAU).

PROCEDURE WHEN ONLINE REGISTRATION IS UNAVAILABLE

203.140

If the online registration system is unavailable due to technical issues and/or unforeseen circumstances, taxpayers should be provided with an estimated time when the system will be available, if known. Taxpayers attempting to register in person during a time when the registration system is unavailable should be encouraged to apply online at a later time when the system becomes available.

If the taxpayer is unable to wait until the system is available, registration requires the taxpayer to complete a paper application. Team members will follow the procedures in CPPM section 275.035.

SAFE AT HOME CONFIDENTIAL ADDRESS PROGRAM**203.200**

Government Code section 6205 addresses confidentiality for victims of domestic violence.

This law establishes the Safe at Home Confidential Address Program under which an adult person, or guardian on behalf of a minor or an incapacitated person, may state that he or she is a victim of domestic violence, and fears for his or her safety. The individual designates the SOS as the agent for service of process and receipt of mail. When the SOS certifies the person as a program participant, his or her residential, school, or work address becomes confidential.

The participant will be given an identification card. The front of the card states that the individual has been certified to participate in the Safe at Home Confidential Address Program and provides the person's date of birth, authorization ID number, and an expiration date of the card. The back of the card provides a mailing address which, in conjunction with the person's authorization ID number, may be used to send mail to the participant via the SOS. The card also includes a fictitious street address that may not be used for mailing correspondence.

Online Registration Procedure:

- Taxpayers that participate in the Safe at Home Program must contact the CDTFA's Disclosure Office prior to using online registration. The taxpayer should either call the Disclosure Office at 1-916-445-2918 or email them at disclosure.office@cdtfa.ca.gov.
- The Disclosure Office team members will confirm that the taxpayer is a Safe at Home participant. Confirmation will generally require the taxpayer to mail or fax a copy of their Safe at Home Program card.
- The taxpayer will be instructed to register online. Prior to submitting their application, the taxpayer should telephone the Disclosure Office and inform them they are submitting their application.
- The taxpayer will inform the Disclosure Office of the account number that was issued.
- The Disclosure Office team members will contact the appropriate registration specialist and request the account be flagged as a Safe at Home Program participant.

Procedure When Paper Application Received:

- All applications for permits or registration for tax or fee programs administered by the CDTFA submitted by persons presenting the identification card will be forwarded in an envelope marked "Confidential" to the Disclosure Office (MIC:82). A copy of the identification card should be forwarded with the application. The field office will not issue a permit.
- A review of the application should be completed before forwarding the application to the Disclosure Office. Team members should not request to see the person's driver's license.
- The taxpayer should be advised that the CDTFA's headquarters office in Sacramento issues permits in such cases and it will be approximately 5–7 business days before a permit can be issued.

Disclosure Office

The law allows an agency that has administrative or statutory justification for requesting the confidential address of a Safe at Home Program participant to submit its request to the SOS. Upon receiving a completed application or registration form, the Disclosure Officer will request the confidential address of the taxpayer from the SOS. When the confidential address is received from SOS, it will be maintained in a secure area in the Disclosure Office. This confidential address will not be disclosed to the public.

- After the Disclosure Officer has filed the exemption request with SOS, the registration application will be forwarded to designated team memin headquarters who will register or update the account.
- If there is a legitimate work-related need, such as an audit or collection of a delinquent tax or fee liability, the Administrator, Audit Principal, or Compliance Principal may contact the CDTFA's Disclosure Officer in the Legal Division to obtain the confidential address of those registered through the Safe at Home Confidential Address Program. The Disclosure Officer will advise the requester on how to maintain confidentiality of the address.

Registration/Update Procedures

- Applications will be processed according to established procedures.
- Sales and use tax permit applications will be processed using a statewide tax area code (59999) for local tax purposes and assigned to the Sacramento office. If the account is expected to report more than \$600 in local sales tax per year, the CDTFA's Local Revenue and Allocation Section, with the assistance of the Disclosure Office, will be responsible for properly allocating the local tax. If the account is selected for audit or becomes a collection case, the account will be manually assigned.
- The account will receive a "Safe at Home Program" indicator.
- In the event the Safe at Home Program participant is disqualified from the program, the account will be corrected to reflect the true address information of the taxpayer. The account's registration record will retain the "confidential" indicator to ensure the individual's safety.
- **Should the actual physical address of a Safe at Home Program participant be discovered by any means, the address is not to be placed in the file, in paper notes, or electronic notes. This information should not be provided to any federal, state, county or local government representative.**

Confidential information is protected by law, regulation, and policy. Information security is strictly enforced. If you violate the rules you may be subject to disciplinary, civil, and/or criminal action. Protecting confidential information is in the public's interest, the state's interest, and your own personal interest.

IN-STATE VOLUNTARY DISCLOSURE PROGRAM**203.220**

The In-State Voluntary Disclosure Program allows qualified purchasers within California, who are not otherwise required to hold a seller's permit, to report and pay their use tax liability subject to a three-year statute of limitations.

To qualify for the Disclosure Program, participants must meet all of the following conditions:

- They reside or are located within California, and have not previously registered with the CDTFA,
- They have not previously filed an Individual Use Tax Return with CDTFA,
- They have not reported an amount for use tax on their Individual Income Tax Return with Franchise Tax Board,
- They are not engaged in business in California as a retailer, as defined in Revenue and Taxation Code (RTC) section 6015,
- They have not been contacted by the CDTFA for failure to report the use tax imposed by RTC section 6202,
- Their failure to pay the tax or file a return was due to reasonable cause and not as a result of negligence or intentional disregard of the law,
- Their purchase is not of a vehicle, vessel, or aircraft, and
- They voluntarily come forward to the CDTFA.

Account and Application Review

Applicants under this program must first register for a Consumer Use Tax account using the online registration system (see CPPM section 203.000). Applicants are then required to complete and submit a CDTFA-38-I, *Application for In-State Voluntary Disclosure*, within 30 days from registration. Application forms should be submitted to the applicant's nearest CDTFA office.

Team members will review the newly registered account in the system and the CDTFA-38-I, *Application for In-State Voluntary Disclosure*, for completeness, and ensure that the qualifying conditions listed above are met. Team members should search the system to determine whether applicants have previously registered with the CDTFA or have had previous arbitrary account numbers issued to report their use tax. In addition, team members may request individual California income tax returns from applicants to verify whether applicants have reported an amount for use tax. Filing an amount of zero does not disqualify applicants.

The Field Operations Division conducts several ongoing programs designed to increase sales and use tax compliance, such as the Statewide Compliance and Outreach Program (SCOP). As such, verification that applicants have not been previously contacted by the CDTFA for failure to report use tax is necessary. Therefore, as part of the applicant verification process, team members must provide the name, address and any other contact information regarding the applicant to the Audit and Information Section (AIS) via email at voluntary_disclosure@cdtfa.ca.gov. AIS team members will notify team members of the outcome of the database search via email. AIS team members will also assist with any questions regarding whether the applicant meets all of the conditions for participation in the program.

IN-STATE VOLUNTARY DISCLOSURE PROGRAM**(CONT.1) 203.220****Individual Use Tax Returns versus Consumer Use Tax Section Billings**

When a taxpayer registers for a Consumer Use Tax account and files an Individual Use Tax Return, these are affirmative and voluntary actions that disqualify the taxpayer from the In-State Voluntary Disclosure Program. This is in contrast to Consumer Use Tax Section (CUTS) billings for use tax on vehicles, vessels and aircraft transactions. A CUTS billing is not in itself enough to disqualify the taxpayer from consideration under the In-State Voluntary Disclosure Program, notwithstanding all of the conditions under RTC section 6487.06. Therefore, applications for the In-State Voluntary Disclosure Program will be considered for inclusion in the program when the applicant has previously received a billing generated by CUTS in response to investigations of purchases of vehicles, vessels and aircraft. In addition, current registration will not disqualify the taxpayer from consideration under the In-State Voluntary Disclosure Program, since it is not possible to submit the application for voluntary disclosure simultaneously with online registration, as long as the application for voluntary disclosure is submitted within 30 days of registration.

Procedure When Applicant Does Not Qualify

If the applicant does not qualify for the program for any reason other than the database search by AIS, team members must forward the application and any information regarding the applicant's disqualification to the supervisor of AIS for review. The AIS supervisor or designee will review the information and then notify the office as to whether the applicant should be denied participation in the program.

The applicant must be notified in writing by sending CDTFA-457-D, *VDP Application Response Letter- Denied*. Comments must be entered in the system stating why the applicant does not qualify.

Procedure When Applicant Accepted

Once it is determined the applicant qualifies and the application is accepted, team members must verify the account is a Consumer Use Tax Account and add a recovery tracking indicator.

Generally, team members should presume applicants will have a continuing obligation and leave their accounts open. Applicants who have closed their business or moved out of California may have their accounts closed. The start date should be changed to reflect a three-year statute of limitations. Comments must be entered in the system stating the applicant qualified for the In-State Voluntary Disclosure Program, and CDTFA-457-A, *VDP Application Response Letter-Accepted*, must be mailed to notify the applicant that the application was approved.

Applications Received with Payment

Application forms (CDTFA-38-I) received with payment by the Cashier Unit or field office cashier should be processed as follows. If the account already exists in the system, process the payment accordingly. If there is no account located in the system, an account number should be assigned and the payment processed accordingly. The CDTFA-38-I should then be forwarded to the appropriate office for processing.

IN-STATE VOLUNTARY DISCLOSURE PROGRAM**(CONT.2) 203.220****Requests for Relief from Penalty**

The CDTFA-38-I, *Application for In-State Voluntary Disclosure*, includes a section where the applicant can request relief from penalty. The CDTFA-38-I will be processed as a request for relief from penalty under RTC 6592, and a copy of the form along with a cover memo stating the account qualifies for relief under the In-State Voluntary Disclosure Program should be scanned and uploaded into the system and a copy retained by the receiving office. After taxes have been paid in full, team members shall create a relief of penalty case in the system. A copy of the CDTFA-38-I shall then be forwarded to the RAU via email to the email box *BTFD-RAU Electronic Maintenance Requests* notifying them of the voluntary disclosure relief request. A note will be entered in the system indicating team members forwarded the CDTFA-38-I to RAU to process the penalty relief.

In the event the taxpayer enters into and then defaults on a payment agreement, relief from penalties will not be granted. If any other collection actions are necessary to secure payment of the use tax, relief from penalties will not be granted. In these situations, comments should be made in the system, and the applicant must be notified in writing that the request for relief from penalties has been denied.

Relief from interest cannot be granted under the In-State Voluntary Disclosure Program.

OUT-OF-STATE VOLUNTARY DISCLOSURE PROGRAM**203.230**

The Out-of-State Voluntary Disclosure Program is available to out-of-state businesses for the purpose of reporting use tax on sales to consumers in California. Out-of-State businesses “engaged in business” in California are obligated to collect and report the tax on sales to their California customers. The Voluntary Disclosure Program allows those businesses to register voluntarily, and in doing so the CDTFA can only make an assessment for underreported taxes for the prior three years instead of eight. It also allows the CDTFA to waive late penalties. Another incentive to apply for the program is that applicants can anonymously request and obtain a written opinion as to whether they qualify for the program.

To qualify for the program, all of the following conditions must be met:

- The business must be located outside California and cannot have been previously registered with the CDTFA,
- The business must be engaged in business in California as defined by RTC 6203,
- The business must register voluntarily with the CDTFA,
- The business has not been previously contacted by the CDTFA or its agents regarding its activities in California, and
- The failure to pay the tax or file a return was due to reasonable cause and not as a result of negligence or intentional disregard.

Registration and Application

To apply for consideration under the Out-of-State Voluntary Disclosure Program, taxpayers must register online. Applicants are then required to complete and submit CDTFA-38, *Application for Out-of-State Voluntary Disclosure*, within 30 days from registration. Application forms should be submitted to:

California Department of Tax and Fee Administration
Out-of-State Office
3321 Power Inn Road, Suite 130
Sacramento, CA 95818-8268

Applicants will be notified in writing using a CDTFA-457-A, *VDP Application Response Letter – Accepted*, or CDTFA-457-D, *VDP Application Response Letter - Denied*, whether their application is approved or not. Additional information regarding the program is available on the CDTFA website.

MANUAL REGISTRATION 205.000

WHEN TO USE MANUAL REGISTRATION PROCEDURES 205.010

Taxpayers are required to register for permits, licenses and other accounts using the electronic registration system on the CDTFA website. This section is included for those circumstances when electronic registration is unavailable for an extended period of time, or if the occasion arises in which a taxpayer is not able to wait for the system to become available. This section is also a point of reference as to the registration information available in CDTFA’s Integrated Revenue Information System (IRIS).

CLIENT TAXPAYER SYSTEM 205.015

The Client Taxpayer System (CTS) is an integrated database. Its purpose is to provide the capability of identifying all related accounts for a given client/taxpayer. This system, in connection with the other subsystems, provides the CDTFA with a relational database.

It is imperative that each client/taxpayer identified in this system is issued only one Client/Taxpayer Identification Number (TIN). Through this TIN, the relationship of the client to any other client number or taxable activity can be established.

REGISTRATION 205.017

The registration of a taxpayer for a taxable activity is a two-step process.

- Step One: Client Registration – Each entity is registered with information specific to that client (CTS)
- Step Two: Taxable Activity Registration – Each client will then be attached to a taxable activity (TAR)

For manual registration instructions, refer to the instructions found on iCDTFA under “IRIS Cheat Sheets for Sales & Use Tax & Special Taxes” under the Technology Services tab. A paper copy of the instructions may be printed for the occasion when iCDTFA is unavailable. Registration policies and procedures for sales and use tax accounts are found in the succeeding sections of this chapter of the CPPM.

APPLICATIONS FOR PERMIT, LICENSE, OR ACCOUNT 205.020

For tax or fee programs that do not allow for online registration, except for those that are involuntary and registered via download (see CPPM section 203.240), tax/feepayers must complete an application providing the necessary information to be registered with the California Department of Tax and Fee administration (CDTFA) for the appropriate permit, license, or account. Applications are designed to obtain the necessary information to establish an account, and to record information that may be used later for efficient enforcement of the laws, rules, and regulations. Applications are **only** to be used when the tax/feepayer is unable to register online.

The tax and fee laws administered by the CDTFA require applications for permits, licenses, or accounts to be filed with the CDTFA. In some circumstances, the CDTFA works closely with other agencies. For example, when a company applies to the Department of Alcoholic Beverage Control (ABC) for licenses that require registration with the CDTFA under the Alcoholic Beverage Tax Law, the ABC notifies the Registration and Licensing Section in the Program and Compliance Bureau (PCB) at the CDTFA. The PCB then sends a letter informing the taxpayer that he or she must register online for a permit. When registration is completed with the CDTFA, the PCB contacts the ABC and provides a verbal release to issue the ABC license.

Verifying Client's Identity

The CDTFA requires tax/feepayers to provide proof of identity when applying for many of the programs it administers. Acceptable forms of picture identification include, but are not limited to, the applicant's driver license, state-issued identification card, passport, or a Matricula Consular Card. An expired license or state-issued identification card can be accepted if a search of the DMV system through the External Agency Tracking (EAT) system is made to confirm that the license or state-issued identification card was once valid.

Applicants, with the exception of corporate officers, may also be required to provide their Social Security Number (SSN) during the registration process (see CPPM section 275.060). In some instances, the applicant may not have a SSN but an Individual Taxpayer Identification Number (ITIN) issued by the Internal Revenue Service (IRS). The CDTFA will accept this form of identification in lieu of a SSN.

Because SSN and DL/ID numbers are unique to an individual, they should only be attached to one client in CTS.

REGISTERING CELEBRITY AND HIGH PROFILE ACCOUNTS

205.023

Most clients, including celebrities, will register electronically. However, if a celebrity or high-profile individual (e.g., politician, sports figure, entertainer, internationally known business/corporate leader) submits an application that requires manual registration, staff should adhere to the following procedures intended to protect the confidentiality of celebrities and other high-profile individuals. If staff receives an application that may be subject to celebrity status, or if the applicant, or their representative, mentions they need the permit information kept private due to their celebrity status, staff should consult with their supervisor to determine if the account should be handled as such. The Administrator or Headquarters supervisor (or their designee) will have ultimate responsibility in determining whether the account qualifies for celebrity status.

When creating a celebrity status Client TIN in IRIS, the procedures are as follows:

- Search for an existing TIN for the celebrity. If there is an existing TIN, it will be used to register the account.
- If there is no existing TIN for the celebrity, create one using his or her full name.
- DO NOT enter the celebrity's identification numbers (e.g. SSN or CDL).
- DO NOT enter the celebrity's actual home address, but instead enter "Confidential Address" on the street address field, and enter the actual city, state and zip code provided on the application. No phone number should be entered unless it is for an accountant, bookkeeper, or other agent.
- Enter comment in IRIS, "Confidential Address Program. Contact the Registration Specialist in the eServices Unit for additional information."

When using an existing Client TIN:

- If a street address is known to be their residence, delete the street address field and enter "Confidential Address." The city, state, and zip code provided on the application should be entered.

REGISTERING CELEBRITY AND HIGH PROFILE ACCOUNTS**(CONT.) 205.023**

- If the celebrity's identification numbers (e.g. SSN or CDL) are displayed, and/or a phone number other than accountant, bookkeeper or other agent, delete them.
- Enter the comment in IRIS, "Confidential Address Program. Contact the Registration Specialist in the eServices Unit for additional information."
- Identify any accounts associated with this TIN. A memo will be sent to the supervisor of the Taxpayer Records Unit with a copy to the Registration Specialist in the eServices Unit, advising them that the identified account(s) (excluding Special Taxes and Fees programs) qualifies for celebrity status and the original application(s) must be forwarded to the Registration Specialist in a sealed envelope marked "Confidential."

When creating a celebrity's account in IRIS, follow standard procedures except as directed below:

- If the business address or phone number is the celebrity's home address and phone number, DO NOT use that information for the permit. Instead enter "Confidential Address" in the street address field and the actual city, state, and zip code provided on the application. The tax area code should be determined by using their actual business address. No phone number should be entered unless it is for an accountant, bookkeeper, or other agent.
- Enter the comment in IRIS, "Confidential Address Program. Contact the Registration Specialist in the eServices Unit for more information."
- Enter the mailing address as provided on the application regardless if it is the same as the celebrity's home address.

Additional procedures:

- Celebrity applications should NOT be scanned into Documentum or copied for any reason.
- Send all celebrity applications in a sealed envelope marked "High Profile Accounts – Confidential" to the Registration Specialist in the eServices Unit. An email will be sent to the sender acknowledging the receipt of the envelope.

If the celebrity account that was manually registered has collection issues in the future, the field office administrator or headquarters section supervisor (or their designee) will send a memorandum requesting pertinent information from the application to the Registration Specialist in the eServices Unit. The request will specify what information is required to assist in collection, and the information will be provided directly to the requesting field office administrator/headquarters section supervisor (or their designee).

ISSUING PERMITS BEFORE START OF BUSINESS**205.025**

Tax/feepayers occasionally apply for a permit far in advance of the start of business. The two most common examples are fireworks stands and Christmas tree lots. For these businesses, a seller must often provide a vendor with a resale certificate months prior to the actual date sales begin. "Special events" are another example where the event operator requires signups, scheduling and permit numbers months in advance.

In these and similar situations, CDTFA policy is to allow a permit to be issued no more than 90 days in advance of operations, with the exception of those accounts issued pursuant to the International Fuel Tax Agreement and the Use Fuel programs, which may be issued up to 9 months prior to operation.

Applicants for any permit should be told that personal information they furnish will be kept confidential. Applicants also should be informed of basic law requirements pertaining to their business, including instruction in preparation of returns and filing requirements, due dates, tax rate(s), and district information. Laws affecting transactions in which the taxpayer will be involved should be explained.

Taxpayers should be encouraged to review relevant publications available on the CDTFA website, which the taxpayers can print at their convenience. However, taxpayers who request the information in paper form from staff should be provided regulations or publications relevant to the taxpayer's type of business operation to aid in reporting the proper tax liability.

All information provided to applicants at the time a permit or certificate of registration is issued must be recorded in IRIS comments. If the IRIS system is unavailable, the information given to the applicant will be entered on the back of the application in the shaded area designated "For CDTFA Use Only," and will be entered in the system once it becomes available.

Comments entered in IRIS will state either Tax Information Packet (TIP) 1 or 2 have been provided.

TIP 1 indicates the following forms and publications were provided:

- CDTFA-400-B1, *Welcome Letter*, not requiring a security deposit,
- CDTFA-173, *Taxpayer's Questionnaire: How Are We Doing?*,
- CDTFA-367-SUT, *Filing Instructions for Sales and Use Tax Accounts*,
- CDTFA-442 Series, Permit or Certificate of Registration,
- CDTFA-800-BKMK, *800 Number Bookmark*,
- Publication 70, *Understanding Your Rights as a California Taxpayer*, and
- Publication 73, *Your California Seller's Permit*

TIP 2 was used when a security deposit was requested at the time of registration. As security is no longer regularly requested, it will generally not be used. For historical purposes, TIP 2 indicates the following documents were provided to the taxpayer:

- All items listed in TIP 1 with the exception that CDTFA-400-B2, *Welcome Letter*, was included in place of the CDTFA-400-B1,
- CDTFA-598, *Notice of Security Requirements*

In addition, the following forms and publications are provided when applicable:

- CDTFA-6, *National Voter Registration Act Declination Form*
- CDTFA-162, *Personal Liability for Corporate and Limited Liability Company Sales and Use Taxes*. Mail a separate copy to the corporation or LLC and one to each corporate officer, LLC member or manager. The form will be mailed to the home address of each officer, member or manager.
- CDTFA-164, *Successor Liability Notice*. Provide to new applicants when a business address search has found a similar business in the same business location.
- CDTFA-367-EFT, *EFT Filing Instructions for Sales and Use Tax Prepayment Accounts*
- CDTFA-400-Y, *Important Reminder for Sales and Use Tax Accounts Reporting on a Yearly or Fiscal Yearly Basis*
- CDTFA-401 Series, *Sales and Use Tax Return(s)*. (only provide for those applicants unable to electronically file returns)
- CDTFA-467, *Notice of Requirements in the Sale of a Business* (where application resulted from purchase of an existing business)

INFORMATION FOR APPLICANTS

(CONT.) 205.040

- CDTF A-663-RI, *Recommended Information*. This form is only used when Business Taxes Code Book section 200.200 lists recommended regulations or publications for the applicant’s specific business type and business code.
- CDTF A-1241-D, *Notice of Prepayment Status*
- Publication-DE-44, *EDD Booklet*
- Publication 71, *California City and County Sales and Use Tax Rates*
- Publication 80, *Electronic Funds Transfer Information Guide*
- Publication 159, *eFile Guide*
- Publications relating to specific Special Taxes and Fee programs (e.g. Publication 91, *California Tire Fee*, Publication 95, *Electronic Waste Recycling Fee*, and/or Publication 78, *Sales of Cigarettes and Tobacco Products in California – License Requirements for Retailers*, when applicant checks the corresponding boxes on the application)

For uniformity, when entering comments in IRIS (TAR) under the “Category” field, type or select from the F1 Help menu, “REGIS.” In the “Subject” field enter, “Info given to applicant.” Under the “Contact Person” field, enter the first and last name of the person who was provided the information. In the body of the comment, enter “TIP 1” and record any other forms, regulations, or publications (including other tax programs) that are given to the applicant at the time the permit or certificate of registration is issued.

DECISION TABLE FOR ISSUING A SALES AND USE TAX PERMIT

205.050

Field office staff is responsible for registering the following TATs. The decision table can help determine the appropriate sales or use tax TAT for the applicant’s situation. If the applicant is making a one-time payment of use tax due for the purchase of vehicles, vessels, or aircraft, refer to CPPM sections 215.010 and 295.095..

Condition	A	B	C	D	E
Taxpayer SELLS tangible personal property in California	Y	Y			
Taxpayer is located in California, or has agents or stock of goods in California	Y				
Taxpayer has no in-state location , and has no sales personnel or order takers in-state		Y			
Taxpayer makes no sales, but purchases tangible personal property to be used in California			Y	Y	Y
AND 1. taxpayer purchases from unregistered out-of-state sources			Y		
2. taxpayer purchases from unregistered out-of-state sources and uses the tangible personal property at multiple locations in California.				Y	

Taxable Activity Type	A	B	C	D	E
Issue SELLERS PERMIT (SR, SR X, SR Y, SR S, SR Z, SR (ACC 001))	X				
Issue CERTIFICATE OF REGISTRATION - USE TAX (SC)		X			
Issue CONSUMER USE TAX PERMIT (SU)			X		
Issue CONSUMER USE TAX PERMIT (SU S)				X	
NO PERMIT REQUIRED					X

TYPES OF APPLICATION FORMS FOR PROGRAMS INELIGIBLE FOR ONLINE REGISTRATION

205.060

1. **CDTFA-400-FEN**, *Application for Fuel Exemption Number*, is used when a common carrier is not required to hold a seller's permit, and its purchases of fuel may qualify for exemption pursuant to RTC section 6357.5 or 6385. Typically, the Out-of-State Sacramento main office (OH) handles these applications.
2. **CDTFA-400-DP**, *Application for Use Tax Direct Payment Permit*. Under RTC section 7051.3, the CDTFA is authorized to issue a *Use Tax Direct Payment Permit* to qualified applicants.

This permit allows purchasers and lessees of tangible personal property (other than lessees of motor vehicles the lease of which is subject to the terms of RTC section 7205.1) to report and pay use taxes directly to the CDTFA instead of to the vendor or lessor from whom the property is purchased or leased. See CPPM 295.060 for additional details.

Use Tax Direct Payment Permit holders will be provided with a CDTFA-46, *Use Tax Direct Payment Exemption Certificate*, which they can issue to retailers and lessors when purchasing tangible personal property subject to **use tax** or making qualified leases of tangible personal property. Vendors who timely take this certificate in good faith from a permit holder are relieved of the duty to collect use taxes on the sales for which the certificate was issued. Permit holders who use the certificate to acquire tangible personal property must report and pay the use tax directly to the CDTFA on their tax returns. They must also allocate the local use taxes to the county, city, or city and county in which the property is first used. Permit holders who fail to properly pay any use tax due on property for which a certificate was issued are subject to interest and penalty assessments in addition to their tax liability.

Persons wishing to obtain a Use Tax Direct Payment Permit must be pre-qualified and hold either a California seller's permit or a consumer use tax account. To qualify for a Use Tax Direct Payment Permit, an applicant must meet both of the following conditions:

- a. The applicant must agree to report and pay directly to the CDTFA any use tax that is due on property for which a Use Tax Direct Payment exemption certificate was issued
- b. The applicant must certify to the CDTFA either of the following:
 - (1). The applicant has purchased or leased **for its own use** tangible personal property **subject to use tax** which cost five hundred thousand dollars (\$500,000) or more in the aggregate, during the calendar year immediately preceding the application for the permit; or
 - (2) The applicant is a county, city, or city and county.

Persons other than governmental entities who currently hold either a California seller's permit or a consumer use tax account must complete the *Use Tax Direct Payment Permit Application*, sign the certification statement attesting that they qualify for a permit under the conditions of Part (b)(1) above, and submit a "Statement of Cash Flows" or other comparable financial statements acceptable to the CDTFA for the calendar year immediately preceding the date of application. The financial statements must disclose the total purchases of property and equipment for the person's own use. In addition, a separate statement, under company letterhead, certifying that five hundred thousand dollars (\$500,000) or more of such purchases were subject to use tax, is required.

TYPES OF APPLICATION FORMS FOR PROGRAMS INELEGIBLE FOR
ONLINE REGISTRATION

(CONT. 1) 205.060

Persons other than governmental entities who are not required to hold a seller's permit and who do not currently hold a consumer use tax account must obtain a consumer use tax account and then complete the application for a *Use Tax Direct Payment Permit*, sign the certification statement attesting that they qualify for a permit under the conditions of Part (b)(1) above, and submit a "Statement of Cash Flows" or other comparable financial statements acceptable to the CDTFA for the calendar year immediately preceding the date of application which discloses total purchases of property and equipment for own use. In addition, a separate statement under company letterhead certifying that five hundred thousand dollars (\$500,000) or more of such purchases were subject to use tax, is required.

Governmental entities who currently hold either a California seller's permit or a consumer use tax account must complete the application for a *Use Tax Direct Payment Permit*, sign the certification statement attesting that they qualify for a permit under the conditions of Part (b)(2) above, and submit an additional statement to that effect under official letterhead and signed by an authorized governmental representative. The completed Application for *Use Tax Direct Payment Permit*, certification statement, and qualifying documentation should be mailed to the Compliance Policy Unit. Upon determination that the applicant qualifies, a *Use Tax Direct Payment Permit* and a Use Tax Direct Payment Exemption Certificate will be mailed to the applicant.

3. **CDTFA-400-H**, *Application for California Cigarette and Tobacco Products Transporter's Permit*, is used in the issuance of a Cigarette and Tobacco Products Transporter permit (TAT CG). This permit is required by RTC section 30431 and allows any transporter of more than 400 cigarettes (which do not have California cigarette stamps affixed) or tobacco products with a value of twenty-five dollars (\$25) or greater to possess or transport said items upon the highways, roads, or streets of this state.
4. **CDTFA-400-ETC/ETI**, *California Excise Taxes Permit Application*, is used in the issuance of a Common Carrier of Cigarettes permit (TAT CH). Under the Cigarette and Tobacco Products Regulation 4041, every common carrier making a delivery of cigarettes to a consignee in California that originated outside of the state, shall be permitted to report to the CDTFA information pertaining to the delivery (e.g., name of shipper, quantity of cigarettes, bill of lading).

REGISTRATION

SALES TAX PERMITS

210.000

SELLER'S PERMIT

210.010

Every person desiring to engage in the business of selling tangible personal property, the gross receipts from the retail sale of which must be included in the measure of sales tax, must register with the CDTFA for a seller's permit for each place of business in California.

Persons from out-of-state who maintain a stock of goods in California from which orders are filled are considered "sellers" under the California Sales and Use Tax Law, and are required to hold a seller's permit. In addition, products sold over the internet to California customers may require the seller to hold a seller's permit if certain conditions are met. (RTC section 6203, Regulations 1620 and 1699).

A seller's permit shall be issued to any person who requests one for the sale of tangible personal property the gross receipts from the retail sale of which are required to be included in the measure of sales tax.

Under the Sales and Use Tax Law, "person" is defined as any individual, firm, partnership, joint venture, limited liability company, association, social club, fraternal organization, corporation, estate, trust, business trust, receiver, assignee for the benefit of creditors, trustee in bankruptcy, syndicate, the United States, this state, any county, city and county, municipality, district, or other political subdivision of the state, or any other group or combination acting as a unit. A cooperative association that is not incorporated is treated as a partnership with each member fully liable. (RTC section 6005).

Any administrator, executor, trustee or any other person who operates a business as a fiduciary must file an application for a permit or license. These persons, although under the jurisdiction of the courts, must operate according to the laws of the state.

"Living Trust" is a legal entity set up by persons for estate planning purposes. A person may place his/her assets into a living trust, and upon his/her death, assets may be distributed more quickly to heirs, often bypassing probate entirely. A living trust must have a trustee. Living trusts may operate businesses, and should be treated as a corporation when processing applications. Offices should view copies of legal documents establishing a living trust if any doubt exists whether the trust has been properly formed.

Other types of trusts that are about to engage in business should establish to the CDTFA's satisfaction that they are legally formed. "Legally formed" would include documentation from the FTB, SOS, Superior Court, or other authority, or for living trusts, copies of documents establishing the legal trust. If any doubt exists a permit should not be issued until further investigation is made.

PERMIT OF DECEASED TAXPAYER — LIQUIDATION SALE

210.020

A liquidation sale of business assets and inventory belonging to a deceased taxpayer may be conducted with the deceased person's seller's permit. The closeout date of a permit may be extended to the date the last sale was made. If, however, new merchandise is purchased for resale and the business continues to operate, a new permit for the person operating the business is required.

PERMIT OF DECEASED TAXPAYER — PARTNERSHIP

210.030

The Revised Uniform Partnership Act (RUPA) of 1994 provides that a partnership is an entity distinct from its partners. (Corporations Code section 16201.) Under RUPA, each partner has separate legal interests, and the ownership of the partnership assets is in the entity, and not as undivided interests of the partners.

PERMIT OF DECEASED TAXPAYER-PARTNERSHIP

(CONT.) 210.030

The term, “dissociation” is used to describe any cessation of a person’s partnership status, be it voluntary (e.g., retirement) or involuntary (e.g., death or expulsion), rightful or wrongful. A partner’s dissociation does not require the partnership to dissolve if the remaining partners want to continue. (See Corporations Code section 16601, et seq., for events causing dissociation, right to dissociate, wrongful dissociation and termination of a partner’s rights and duties on dissociation.)

Unless the partnership agreement provides that the death of a partner will constitute dissolution, the partnership will continue to exist, notwithstanding the fact that a partner or partners may be added to, or subtracted from, the partnership. If a partner dies, it is not necessary to issue a new permit, unless the surviving partner desires to operate the business as a sole proprietor.

MUNICIPAL IMPROVEMENT CORPORATIONS

210.040

Municipal Improvement Corporations (MICs) are occasionally encountered. MICs are generally established by local jurisdictions to make purchases of supplies and/or assets for their respective local governmental entity or municipality. After purchasing the supplies/assets, the MIC then makes “sales” of these items to the local governmental entity/municipality in an attempt to direct the local tax revenues to the governmental entity/municipality in which the MIC is located.

However, the CDTFA determined that sales by MICs to their creating local jurisdiction(s) are not considered sales from one “person” to another, and therefore MICs should not hold seller’s permits. In these instances, the entity selling the tangible personal property to the MIC is considered the retailer.

REGISTRATION

USE TAX REGISTRATION 215.000

WHICH TAXABLE ACTIVITY TYPE? 215.010

The CDTFA has six separate and distinct TAT's that relate to use tax:

- **SU** - Consumer Use Tax Permits (Field Operations Division responsibility)
- **SC** - Certificate of Registration — Use Tax (Field Operations Division responsibility)
- **SA** - Vehicle and Mobilehome purchases from non-dealers [Consumer Use Tax Section (CUTS) responsibility, refer to CPPM section 295.095]
- **SB** - Vessel purchases from non-dealers (CUTS responsibility, refer to CPPM section 295.095)
- **SP** - Aircraft purchases from non-dealers (CUTS responsibility, refer to CPPM section 295.095)
- **SI** - Purchases from outside the United States, by California residents hand carried and declared through U. S. Customs (CUTS responsibility, refer to CPPM section 295.095)
- **SD** - One-Time Financial Obligation – Use Tax. [Use Tax Administration Section (UTAS) Responsibility, refer to CPPM section 295.095]

CONSUMER USE TAX PERMIT (TAT SU) — WHEN ISSUED 215.020

Persons who regularly incur use tax liability, but who are not engaged in a business which requires them to hold a seller's permit, may have a use tax account established with the CDTFA and will subsequently be required to file Consumer Use Tax returns.

Typical businesses that may hold Consumer Use Tax permits include the following:

1. Persons who purchase merchandise for use in California from out-of-state sources. See also CPPM section 205.060 This may include but is not limited to the following:
 - Construction contractors
 - Health professionals purchasing supplies from out-of-state
 - Governmental agencies purchasing equipment from out-of-state
2. Persons engaged in business in a district and who purchase from California sources outside of the district.

CONSUMERS LOCATED IN A DISTRICT 215.030

A district is a local jurisdiction that, under enabling statutes, may impose transactions (sales) and use taxes within its borders, commonly referred to as district taxes. Most district taxes are levied on a countywide basis. Persons who reside in a district and who purchase merchandise from vendors located outside the district are liable for the additional tax due representing the difference between the tax charged by the vendor and the tax rate which prevails within the district.

CERTIFICATE OF REGISTRATION, USE TAX (TAT SC) — WHEN ISSUED 215.040

Certificates of Registration — Use Tax permits are issued to out-of-state sellers who are engaged in business in California, and to Indian retailers making sales on a reservation to non-Indians or to Indians not residing on a reservation (see CPPM section 265.065). In addition, persons may voluntarily register for the purpose of collecting use tax from their California customers, even though they are not engaged in business in California.

Taxpayers are asked to list the locations in California at which a sales office, sample room, warehouse, etc., is maintained by the applicant for a Certificate of Registration — Use Tax. Taxpayers are also asked to list the representatives, agents or salesmen operating in California. If the applicant has a large number of persons operating in this state, it is necessary to show only the principal representatives in California, such as area supervisors or managers.

CONSUMER USE TAX ACCOUNTS — LOCAL TAX ALLOCATION

215.060

- TAT SU is used to identify consumer use tax accounts purchasing property ex-tax out-of-state (equipment, building materials, supplies, etc.) for use at the address for which the account is established, or where the local use tax on items used at various locations is less than \$600 a year. TAT SU is the use tax equivalent to sales TAT SR
- TAT SU S is used to identify consumer use tax accounts where property is purchased ex-tax out-of-state and used at different locations than that for which the account was established and the local tax is in excess of \$600 a year. TAT SU S is the use tax equivalent to sales TAT SR S. There is, however, no use tax account equivalent to a sales tax consolidated account. Separate use tax permits are required for each location.

DISTRICT USE TAXES

215.070

Staff often encounters questions concerning application of district taxes to property which has been purchased from retailers elsewhere in California on which the state and local tax reimbursement has been charged by the seller, but not the district tax.

- When such property is purchased on or after the operative date of a district tax for use in the district, the merchandise is subject to the district tax.
- Unless a seller is engaged in business in the district and has collected district tax reimbursement or district use tax, the purchaser must report the tax on his/her sales and use tax return or on a consumer use tax return.
- Persons who do not hold seller’s permits but regularly make purchases from outside a district for use inside a district should obtain a Consumer Use Tax permit and file consumer use tax returns.
- Consumers who occasionally incur district use tax liability should file and pay on their California income tax return, or by sending in a payment, at which time an arbitrary account number will be issued.

The following instructions apply to purchasers of property used or consumed in districts who must remit taxes due:

One Time Transactions

Purchasers owing district use tax on a one-time basis should be instructed to register and file electronically on the CDTFA website. If the taxpayer sends a payment directly to CDTFA, staff will issue an arbitrary number with TAT SU (ACC 999). If the electronic registration system is unavailable, the taxpayer should complete a CDTFA-401-A2, *State, Local, and District Sales and Use Tax Return*, with appropriate due dates, etc., entered on the form. TAT SU plus office identifier and an arbitrary account number issued in IRIS will be entered in the account number space. Advise the purchaser to fill in only spaces on the CDTFA-401-A2 which pertain to district use tax and total tax due information.

See CPPM section 295.090 for additional information on issuance of arbitrary numbers.

Undetermined Duration or Long Term Involvement

Persons planning to regularly make purchases subject to the district use tax should be issued a Consumer Use Tax account, TAT SU. Instruct the taxpayer to fill in only spaces that pertain to district use taxes and total tax due information, using returns regularly sent from headquarters.

QUALIFIED PURCHASER (QP) - USE TAX

215.100

Revenue and Taxation Code (RTC) section 6225 requires a “qualified purchaser” (QP) to register, report, and pay use tax directly to the CDTFA under the following criteria:

1. The person receives at least \$100,000 in gross receipts from business operations per calendar year.
2. The person is not required to hold a seller’s permit or certificate of registration for use tax under RTC section 6226.
3. The person is not a holder of a use tax direct payment permit as described in RTC section 7051.3.
4. The person is not otherwise registered with the CDTFA to report use tax.

Qualified purchasers are required to file annual use tax returns with a due date of April 15th of the following year.

Online registration does not automatically identify QP accounts. When staff becomes aware that a taxpayer has voluntarily registered because they meet the registration requirements of a QP, staff should add ACC 34 and Lead Source ABX to the account.

When staff receives inquiries regarding registration, taxpayers should be directed to register online via the CDTFA website.

Staff may close accounts with an ACC 34 if their gross receipts drop below the \$100,000 threshold for two consecutive years. After closing the account, taxpayers should be advised to report future use tax purchases on their business or personal income tax return. If the taxpayer meets the threshold requirements in a future year, they must re-register if they make purchases subject to use tax. Otherwise, staff should not close out the account unless the QP’s business operations have ceased, there is a change in ownership, or the QP has obtained a seller’s permit. After three consecutive years of filing returns showing zero use tax due, the account will be automatically closed.

Staff should work delinquent QP accounts in the same manner they would work any other delinquent account; that is, in accordance with existing compliance policy and procedures.

When a QP purchases items from outside California subject to a special tax and/or fee (for example televisions, computers, tires, cigarettes, etc.), the supervisor or designee should send an email notification to the “BTfD-QP Referrals” mailbox. The Special Taxes staff will investigate the notification and refer such leads to the appropriate section for further investigation.

CODING THE PERMIT 230.000

OVERVIEW 230.005

The application forms that were used prior to electronic registration used a coding grid to define certain parameters associated with an account. The coding grid is no longer used. However, the grid information is still required and is entered by staff when the electronic registration system is unavailable and a permit is issued manually.

Staff will find that the registration system offers choices for some of the required coding information, while some information is imported from the client subsystem in IRIS. The background provided in this section is designed to assist staff to make the proper selections.

Subjects within this subsection are generally discussed in the same order they appear across the registration screen.

TAXABLE ACTIVITY TYPE (TAT) 230.007

TAT is the business activity that requires a client to register with the CDTFA for a particular tax program. Each TAT has specific rules based on laws and policies administered in whole or in part by the CDTFA and codes that define it. For example, a regular seller’s permit would have the TAT “SR”. For the complete list of codes, see Business Taxes Code Book section 100.071. Once a permit is issued, this field cannot be modified by staff, however the addition or subtraction of sublocations will automatically cause the TAT Indicator to be changed (e.g. TAT when a sublocation in another taxing jurisdiction is added, the TAT will automatically change to SR Y. The TAT also determines which type of tax return is to be furnished to the taxpayer.

The TAT Indicator field contains additional information about the account including the number and physical locations of the business. The TAT Indicator denotes which schedules the account needs to properly allocate sales tax funds to local jurisdictions. This field will have the consolidated account indicators X, Y or Z, or the Special Seller code S. The TAT Indicator field is also used as a source indicator for Consumer Use Tax accounts to identify how the information used to establish the account was obtained.

BASIS CODES 230.010

The basis code indicates the return filing requirement for the account:

M	Monthly
Q	Quarterly
Y	Yearly
F	Fiscal Yearly
QP	Quarterly Prepayment

CODING FOR THE TYPE OF BUSINESS 230.020

The CDTFA uses North American Industrial Classification System (NAICS) codes to accurately identify the principal activity of a business within the various categories such as retail, wholesale, manufacturing/mining/farming, repair, service, construction, or leasing/rental. When manually registering a permit, a NAICS code is entered, which automatically selects the corresponding “business code” in IRIS. The two-digit business codes are used primarily for audit and administrative purposes, and are listed in section 203.028 of the Business Taxes Code Book. When a taxpayer registers online, the codes are selected by the system automatically. For the purposes of manual registration, however, staff will need to locate and enter the correct NAICS code.

NAICS is a hierarchical classification system. A complete NAICS code contains six digits and five distinct levels of detail. The first two digits designate the largest business sector, the third digit designates the subsector, the fourth digit designates the industry group, the fifth digit designates a specific industry, and the last digit contains country-specific details by designating the national industry across the three countries participating in NAICS (i.e. United States, Canada, and Mexico).

A NAICS code helps identify a taxpayer's *primary business activity*. The primary business activity is considered the main activity from which the business generates the majority of its revenue and incurs most of its costs. The primary business activity may, or may not, be directly related to a taxable activity.

To determine the taxpayer's primary business activity, the following guidelines, listed in order of importance, should be followed:

1. Determine the primary business activity – identify the sector (first two digits). For example, a hotel with a restaurant, bar, and store should be assigned the Sector Code for a hotel (Sector 72 - Accommodation), a school selling meals should be coded as a school (Sector 61 – Education), etc.
2. Determine the taxpayer's primary customer. This will help determine if the business is operating as a retailer, wholesaler, manufacturer, repairer, service provider, construction contractor, or leasing/rental business.
3. Determine what the taxpayer is selling. If the business is selling multiple items, determine the main reason a permit is required.

Staff performing registration functions should use the NAICS Code Generator to assist in the accurate selection of the NAICS code during the registration process. The Generator also has a "Help" button to provide additional assistance in determining the proper code, and a "Support" link which allows users to report problems or make suggestions for improvements to the Generator.

The NAICS Code Generator has the following three tools to determine the appropriate code:

1. Search

Staff can type in a general business classification in the search field, and the field can be narrowed down by selecting the category (retail, wholesale, manufacturing, service, etc.). If no match is found initially, a pop-up screen will ask if the user would like to search "All" categories.

2. Franchises

If the business is from a known franchisor, there is a quick search available under "Franchises." By typing the name of the franchise in the Franchise section of the Generator, a NAICS code will appear. The drop down screen is in alphabetical order displaying common franchises. Not all franchises will be available, and in that instance, staff should use the Search to determine the proper NAICS code.

3. Reverse Look-Up

If the taxpayer provides their NAICS code or if staff is trying to verify whether the NAICS code is descriptive of the taxpayer's business, the "Reverse Look-Up" is designed to enter a NAICS code, displaying the description associated with it.

For the Special Taxes and Fees programs, accounts with Taxable Activity Type OL (Occupational Lead Poisoning Prevention Fee) use the Standardized Industrial Classification (SIC) code, and the system automatically translates the SIC into a NAICS code. The SIC code field is modifiable. A list of SIC codes for industries for which the Occupational Lead Poisoning Prevention Fee is applicable can be found in the Occupational Lead Poisoning Prevention Fee Regulation 38005. For other Special Tax and Fees programs, the NAICS code will, generally, default automatically to a pre-designated NAICS code, although staff can input the applicable

CODING FOR THE TYPE OF BUSINESS

(CONT. 2) 230.020

NAICS code during registration if necessary.

If the NAICS Code must be changed because of error or the taxpayer changes the nature of the business, staff will do the following:

1. Place the cursor under the NAICS number, press F9 modify key. “NAICS Change” screen pop-up appears
2. In the NAICS Change pop-up, enter the Code in the field under “NAICS” heading
3. Enter the month and year under “Effective Date of Change.” The effective date of change should be as close as possible to the actual date the change occurred or will occur
4. When all changes are entered, press the F5 key to accept the changes made

Ensuring the NAICS Codes are kept current is the responsibility of the Data Analysis Section (DAS). Any problems with the NAICS Code Generator should be directed to DAS staff (MIC 75).

TAX AREA CODE

230.030

The tax area code indicates in which jurisdiction a sales tax account is located, and is used as a basis for developing statistical data. When a taxpayer registers electronically, the tax area codes are assigned by the electronic registration system. It is extremely important the correct tax area code is assigned so that the local taxes paid are allocated to the proper city and county governments. An index of tax area codes may be found in the Business Taxes Code Book.

When the proper tax area code must be determined for manual registration, the IRIS registration system provides more than one choice. To aid in determining whether an address is located within city limits or in an unincorporated area of a county, the following resources available:

- tax rate locator on the CDTFA website
- maps or “Thomas Guides”
- county assessor or treasurer websites
- incorporated city websites
- Google maps

If staff encounters unverifiable addresses or discrepancies between information in the available resources, staff should consult with Local Revenue and Allocation Unit (LRAU) by sending an email to “+Area Codes.”

Once the correct tax area code is determined, place the cursor on the correct code and press the enter key. If an in-lieu entry is also required, the system will prompt you to make that selection.

Tax Area Code Breakdown

The tax area code is composed of twelve digits:

1. The first group of five digits consists of a two digit county code, followed by a three digit code denoting city or unincorporated areas of each county.
2. The second group is a three digit code identifying any “add-on” districts in which the account may be located.
3. The third group is a four digit code representing “in-lieu” areas, such as redevelopment agencies.

Groups two and three will consist of zeros for locations not within districts or redevelopment areas. Even though the registration system provides a choice of tax area codes, to determine the correct code the following is helpful.

REGISTRATION

TAX AREA CODE

(CONT. 1) 230.030

For example, Huntington Park might show a tax area code of 19018–036–0001, broken down as follows:

19	018	036	0001
County Code	City Code	"Add-On" Code	"In-Lieu" Code
<i>See Code Book</i>	<i>See Code Book</i>	<i>See Code Book</i>	<i>See Code Book</i>
110.50	110.55 and 110.60	110.65	110.70

City and County Codes

Under provisions of the Bradley Burns Uniform Local Sales and Use Tax Law, the CDTFA contracts with local taxing jurisdictions (cities, counties) to collect the local portion of the sales and use tax and remit these amounts to the local entities.

Every city and county has been assigned a five digit code for local tax allocation purposes.

The first two digits, from 01 to 59 signify county, statewide or county proportional allocation.

- Codes 01 to 58 identify an individual county in California for local tax allocation.
- Code 59 identifies all counties collectively for statewide allocation.
- Code 59 followed by "999" signifies local tax is proportionately allocated to all counties.

The last three digits in the five digit code indicate the specific taxing jurisdiction to receive the local tax.

- If the local tax is to go exclusively to the county indicated by the first two digits, the final three digits will be 998.
- If the tax is to be apportioned among the county and all local tax jurisdictions within the county indicated by the first two digits (countywide allocation), the final three digits will be 999.
- In almost all cases where the final three digits of a tax area code are between 001 and 997, the local taxing jurisdiction is an incorporated city.

Add-On Code

The "add-on" portion of the tax area code identifies those tax districts for which an additional (or added-on) transactions (sales) and use tax is assessed, such as BART and SCTA. These positions of the tax area code consist of zeros for selling locations not in "add-on" districts.

In-Lieu Code

The "in-lieu" portion of the tax area code identifies the districts (usually redevelopment agencies) which receive their share of the local tax directly from the CDTFA rather than through the county or city. These positions of the tax area code consist of zeros for locations not within "in-lieu" jurisdictions. The codes for each "in-lieu" area are consecutively numbered as each new district contracts to have the CDTFA administer the ordinance.

In-lieu codes may be found in Business Taxes Code Book section 160.005.

Consolidated Accounts

Consolidated accounts are those accounts in which there is more than one business location, called a sublocation.

Types of Consolidated Accounts

1. All sublocations within the same tax area code, add-on code, and in-lieu code (all tax area codes for all sublocations are identical):
 - Use TAT SR X
 - Master permit will carry the same tax area code, add-on code and in-lieu code as its subs

TAX AREA CODE

(CONT. 2) 230.030

1. Different sublocation tax area codes, add-on codes or in-lieu codes exist:
 - Use TAT SR Y or SR Z
 - “Add-on” and “in-lieu” codes will be assigned to each selling location (sub-permit) according to its specific business location
 - City portion of the tax area code for the master permit will be “000”
 - If no sublocations are located within a district, use “000” for the master location “add-on code”
 - If one sublocation is located within a district, also use the add-on code for that specific sublocation as the master location “add-on code”
 - If two or more sublocations are located within a district, use “997” as the master location “add-on code”; they may, however, be different districts
 - The master permit will have the “in-lieu” code of “0000” regardless of how many in-lieu codes may be involved on sub-permits for the account

See CPPM section 245.000 for more detailed instructions on consolidated accounts

OWNER CODE

230.040

When a taxpayer registers electronically, the owner code is assigned by the electronic registration system. The owner code is also generated automatically by the registration system during manual registration when you choose a client/taxpayer and request a taxable activity registration (TAR).

The chart below illustrates the conversion:

TIN Entity Type	Code	TAR Ownership Type	Code
Unincorporated Business Organizations	B	Unincorporated Business Organizations	B
Corporation	C	Corporation	C
Estate	E	Limited Liability Company (LLC) *	D
Federal Government	F	Estate	E
Other Government (State/Municipal)	G	Federal Government	F
Individual *	I	Other Government (State/Municipal)	G
Limited Liability Partnership	K	Sole Proprietor	S
Limited Partner	L	Limited Liability Partnership	K
Husband and Wife Co-ownership	M	Limited Partnership (LP)	L
Registered Domestic Partnership	N	Husband and Wife Co-ownership	M
Partnership or Co-ownership	P	Organization / Association	O
Receivership / Fiduciary	R	Partnership or Co-ownership	P
Trust	T	Receivership / Fiduciary	R
Joint Venture	V	Trusts	T
Limited Liability Company (LLC) *	Z	Joint Venture	V

- The TIN entity type code is not the same as the TAR ownership type code.

ORIGINAL STARTING DATE

230.050

This is a six digit code indicating the month, day and year in which the account was originally established. This should be the date the taxpayer starts operating the business, and can be a date in the future or in the past. If the start date is in the past, staff must determine if the taxpayer should be advised to electronically file any past due returns. If the start date is in the past, staff should also make sure the start date is within the statute of limitations (see RTC 6487 et. seq.)

LIMITED LIABILITY COMPANIES**230.055**

A limited liability company (LLC) shares characteristics of both partnerships and corporations, but its members have the same legal liability protection as shareholders of a corporation. LLC's formed under California statutes are considered domestic LLC's. Foreign LLC's are organized under the laws of any other state, the District of Columbia or under the laws of a foreign country. Both foreign and domestic LLCs must have at least one member.

LLC's are required to register and file Articles of Organization with the Secretary of State (SOS) which set forth:

- The name of the LLC
- A statement of purpose
- The name and address of agent for service of process
- A statement as to how the LLC is to be managed

Foreign LLC's may be exempted from registering with the SOS if not "transacting intrastate business" as defined in California Corporations Code section 17001. This should not be confused with the definition of "retailer engaged in business in this state" under RTC section 6203 which remains a determining factor in whether a Foreign LLC is engaged in business in this state.

Organization

- The Articles of Organization may provide that the LLC shall be managed by one or more manager(s) who may, but need not, be members or natural persons. If no manager(s) is designated, management is vested with the members.
- Manager's fiduciary duties to the LLC and its members are those of a partner to a partnership.
- In addition to managers and members, an LLC may have officers who may, but need not, be a member or manager. Appointment of officers shall be specified in the Articles of Organization or in an operating agreement.
- Regular meetings of members or managers are not required unless expressly called for in the articles or operating agreement.

Authorization to Transact Business

- Upon registration with the SOS, foreign and domestic LLC's are authorized to transact business in this state. Therefore, RTC section 6005 was amended to include "Limited Liability Company" in the definition of "person".
- Additionally, RTC section 6829 was amended to provide that any officer, member, manager, or other person having control or supervision can be held personally liable for sales tax to the same extent as corporate officers upon termination, dissolution, or abandonment of a domestic or foreign LLC business.
- Both the SOS and the FTB shall have the authority to suspend the powers, rights, and privileges of an LLC for violating certain provisions of the Corporations Code and the Revenue and Taxation Code respectively.

Articles of Organization, LLC-1 and LLC-12

The Articles of Organization, LLC-1, does not include the names of managers and members. Accordingly, the applicant must provide all required information regarding managers and members at the time of registration.

The best source for manager/member information is the SOS's Limited Liability Company Statement of Information, Form LLC 12. The form must be filed with the SOS within 90 days of the filing of the Articles of Organization.

Manual Registration Procedure

Registration will generally be completed online using the CDTFA website. Only when the system is unavailable may a permit, license, or account be registered manually following the procedures listed in CPPM section 275.035.

The following are specific to registration of LLCs:

- If Articles of Organization (Form LLC-1 for domestic LLC's or Form LLC-5 for foreign LLC's) are not provided, search the SOS website, www.sos.ca.gov, to confirm the entity is valid.
- Check Limited Liability Company (LLC) as the type of ownership, and make sure to enter the full LLC name as it appears on the Articles of Organization or on the SOS website.
- Enter the LLC number from SOS.
- Obtain complete data on all manager(s) designated in the Articles of Organization, as you would with limited partners. If necessary, use additional sheets to list the managers. If the manager(s) are also members, they count towards the one-member minimum requirement. If the manager(s) are not members, you must obtain and enter the data for at least one member.
- If management is vested in the members, obtain complete data on all the members.
- If a manager is other than a natural person, i.e., a corporation, enter the name and use a separate sheet to list corporate number and officer information. The application must be signed by the manager or managers of the LLC.

LLC's As General Partners

- If manual registration is required, the procedures outlined in CPPM section 275.035 should be followed.
- Whenever a "partner" is not a natural person, attach a separate sheet to include information on additional partners, including the respective managers, members, or corporate officers of each partner entity.

Dissolution

The first to occur of the following events will trigger the automatic dissolution of an LLC and may require follow-up by the field office to determine the proper closeout date:

1. At the time specified in the articles of organization.
2. Upon the happening of events specified in the Articles of Organization or a written operating agreement.
3. By vote of a majority in interest of the members, as may be specified in the Articles or Organization or a written operating agreement.
4. Except as otherwise provided in the Articles of Organization or a written operating agreement, upon the death, withdrawal, resignation, expulsion, bankruptcy, or dissolution of a member unless the business of the LLC is continued by a vote of all the remaining members within 90 days of the happening of that event.
5. Entry of a decree of judicial dissolution.

Staff should be cognizant of these events when conducting routine account maintenance, or when an LLC is being worked for a delinquency, accounts receivable, revocation, or bankruptcy.

LIMITED LIABILITY PARTNERSHIPS (LLP)**230.056**

A limited liability partnership (LLP) is a general partnership, not a limited partnership, which provides its partners with limitations on their personal liability (without changing most of the attributes of a general partnership), which is licensed to engage in the practice of law or public accountancy or architecture, or is a partnership “related” to a LLP, which provides facilities or services to a LLP or provides services related to, or complementary to, services provided by the LLP. The domestic registered LLP, as well as the foreign LLP, which will “transact intrastate business” must register with the California SOS by filing an Application to Register a Limited Liability Partnership, LLP-1. Corporations and other collective entities, such as partnerships, can be partners of an LLP.

Manual Registration Procedure

Registration can be completed using the electronic registration system on the CDTFA website. When electronic registration is unavailable, staff may complete registration manually. See CPPM section 205.000 for additional information on manual registration.

The following are specific to registration of LLPs:

- Enter the name of the LLP, exactly as registered with the SOS except for the end of the name (e.g. LLP).
- Information on all general partners and/or managing general partners will be entered in the registration system.
- A copy of SOS form LLP-1 should accompany the CDTFA 400 SPA.
- Enter the FEIN, SEIN, and SOS numbers.
- The account will be registered according to the procedures for registering partnerships.

Partnership Changes

If one of the partners of the LLP changes, the LLP entity does not change as long as there are at least two or more partners. Every effort should be made to keep current information about the LLP’s partners. Possible sources of SOS information for partnership changes may be found in an Amendment to Registration of a Limited Liability Partnership, LLP-2, and also a Notice of Change in Status of a Limited Liability Partnership, LLP-4.

UNINCORPORATED BUSINESS ORGANIZATIONS (UBO)**230.057****General**

RTC section 6005 defines “person” to include “trust” and “business trust.” Unincorporated Business Organizations (UBO) are trusts between a beneficiary, who only contributes assets, does not control the business, and is not liable for tax debts of a business, and a trustee(s), who manages the contributed assets of the beneficiary, who may operate a business initially funded by contributed assets of the beneficiary and who would be responsible for tax debts. A UBO must have at least one trustee.

The beneficiary cannot be the trustee and the contributed assets must be in the total control of the trustee with no ability by the beneficiary to access those assets or control the business. An agreement to create the UBO in California must utilize a written declaration of trust or other instrument in a written agreement defining the rights and responsibilities between the beneficiaries and the trustee(s). If the declaration, agreement, or other discovery shows that the trustee(s) or the business may be in any way controlled by the beneficiary, the business is not a trust and the beneficiary is liable as a partner.

UNINCORPORATED BUSINESS ORGANIZATIONS (UBO)

(CONT.) 230.057

Other than the written agreement, the structure of a UBO may consist of nothing more than a bank account in the name of the UBO, or if the UBO has no name, in the name of the trustee “as trustee.” Or, the UBO may have a structure more like a corporation where the UBO issues transferable shares of stock to beneficiaries. The UBO’s real and personal property should be held in the name of the trustee, as trustee of the UBO.

The UBO’s trustees are the entity’s “principals.” The beneficiaries are not “principals” of the UBO and have no liability for taxes due by the UBO. The UBO and its trustee are jointly liable for any taxes due. If the CDTFA cannot collect from the UBO’s assets, collection efforts can be directed toward the trustee. For tax liability purposes, there is no limit to a trustee’s liability.

Requirements

If a written agreement is not provided establishing the requirements for a seller’s permit to be issued to the entity as a UBO, the entity should not be issued a permit as such. In the absence of a written agreement, the CDTFA should assume the entity is a general partnership and may issue a permit to the entity as a general partnership.

Registration Policy

Registration should be completed online using the CDTFA website. If online registration is unavailable, the procedures outlined in CPPM section 275.035 should be used to register UBOs. If the tax/feepayer provides a written agreement establishing the requirements for a UBO, a permit is to be issued in the name of the UBO and the trustee(s). If the UBO has no name, the permit should be issued in the name of the trustee(s) “as trustee(s).”

For UBO’s, the entity code is B, the owner code is B, the relationship code for the beneficiary is B, and the relationship code for the trustee is T.

ACCOUNT CHARACTERISTIC CODE

230.060

This field is where miscellaneous information about an account resides (e.g., part-time, temporary, Internet seller). When a tax/feepayer registers online, the Account Characteristic Code (ACC) is assigned by the registration system. When registering a tax/feepayer manually, staff will enter the code if applicable. A list of ACCs are as follows:

REGISTRATION

ACCOUNT CHARACTERISTIC CODE

(CONT.) 230.060

Code	Description	Code	Description
1	Temporary seller (90 days or less)	26	Sellers with Business Location & Stock of Goods in CA
2	Part-time Seller	27	Jet Fuel Seller – Delivering into Aircraft
3	Retailer: Fuel	28	Blind Vendor Program DOR
4	Retailer: Fuel: Broker	29	State Agency or State Department
5	Retailer: Fuel: Distributor	30	Internet Sellers
7	Sellers without a permanent place of business in state, other than a stock of goods, i.e. - warehouse location	31	VoIP Services Only (only with TAT TU)
8	Voluntary SC (Cert of Reg Use Tax)	32	Traditional Telecommunication Services (only with TAT TU)
9	Vehicle Lessor (Section 7205.1)	33	Provides VoIP and Traditional Services (only with TAT TU)
10	Manufacturer's State Tax Exemption Certificate	34	Required Registrant per ABx4-18 (2009) Qualified Purchaser
11	Request on File for Permanent Extension (Government Only)	35	ABx1-28 Nexus Legislation
12	Sales or Purchases of \$500,000 or more (Reg 1802)	36	Efiling Certification (only with TAT CR & CM)
13	Direct Pay - Govt	37	Efiling Production (only with TAT CR and CM)
14	Direct Pay - Non Govt	38	AB 155 Nexus Legislation
17	Voluntary Disclosure	39	Lumber Products Assessment
18	1032 Program	40	Cigarette Vending Machine Operator (only with TAT LRQ)
19	AGMT Partnership	43	Non-IPC Account (account not converted to IFTA Processing Consortium (IPC))
20	Bad Debt Lender/Retailer	44	No Prefill Option - Incorrect Bank Information
21	AB990 Account	45	Direct Seller of MTS (only with TAT TU)
22	Diesel Fuel Seller (expedite process)	46	Cannabis in Public Domain
23	In State Voluntary Disclosure		
24	Tax Amnesty	998	Not Available for Purge
25	Lead Source	999	Arbitrary

Note: Other than Qualified Purchaser accounts (code 34), Consumer Use Tax accounts do not use ACCs.

IRIS LEAD SOURCE

230.070

The Lead Source Subsystem was developed to track the results of various special programs and pilot projects undertaken by the CDTFA. The Lead Source Subsystem is comprised of Lead Source and Lead Source Sub-types that enable the CDTFA to capture and identify revenue and payments resulting from a specific program or project. This is accomplished by attaching a Lead Source and Lead Source Sub-type to an account or a Financial Obligation (FO) in IRIS. By doing so, reports reflecting revenue and payment information related to a specific program or project can be generated.

IRIS LEAD SOURCE

(CONT.) 230.070

The Lead Source and Lead Source Sub-type should be assigned to accounts or liabilities established from the results of efforts of a special program or project team (“responsible team”), for example, Statewide Compliance and Outreach Program (SCOP), U.S. Customs group, or Special Taxes project teams.

Lead Source and Lead Source Sub-type **should** be assigned:

- To an account, when a new permit is issued that will result in previously unreported revenue being reported to the CDTFA.
- To an audit, field billing order, or other FO, generated as a result of the development of the lead by a responsible team and used to determine a liability or offset a payment.

Lead Source and Lead Source Sub-type **should not** be assigned:

- To a new permit issued to correct an ownership or other situation for a business, in which revenue was routinely being reported.
- To an FO selected and assigned for audit through the annual audit selection process. However, lead information relating to an account selected and assigned for audit should be forwarded to the auditor conducting the audit.

Lead Source and Lead Source Sub-type for Audits:

- If a lead exists for an account that has been selected for audit, but still unassigned, the responsible team should contact the controlling office of the account to determine whether the account will be assigned. If the audit is not assigned, the lead should be referred to the Administrator requesting a review of the lead information. If the account is assigned as a result of the responsible team lead information, then the lead source information should be assigned to the audit FO. However, if an account was already assigned, the lead information should be forwarded to the auditor without a request to assign the lead source information to the audit FO.
- If a lead exists for an account that has not been selected for audit, the responsible team should refer the lead to the Administrator with a request that if the account is assigned for an audit as a result of the lead information, then the responsible team lead source information should be assigned to the audit FO.

To assign a Lead Source and Lead Source Sub-type:

- Lead Source and Lead Source Sub-type can be assigned to an account or FO by accessing the *Maintain/Inquire Lead Source Information* screen (LSR ML) in IRIS. When assigning Lead Source and Lead Source Sub-type information for a new account, it is important to use an accurate Report Start Date and Report End Date.
- The Report Start Date is the date that revenue and payment information, *posted to a new account*, becomes eligible for inclusion in revenue and payment reports. Unless instructed otherwise, it should be the same date as the account creation date. Using a Report Start Date that is after the account creation date will result in delinquent return information and payments being excluded from the revenue and payment reports.
- The Report End Date is the date for which revenue posted to the new account is no longer eligible for inclusion in the revenue and payment reports. Since special programs and pilot projects typically have a two year evaluation cycle, the Report End Date should always be two years after the Report Start Date, unless instructed otherwise.
- The Report Start Date for a **closed out and reinstated** account is the date the account was reinstated (re-opened).

Note: Report Start and Report End dates are not needed when assigning Lead Source and Lead Source Sub-type information to a specific FO, since the FO will always be included as revenue.

Responsibilities:

- All Lead Source referrals to a field office or Headquarters (HQ) program area should clearly state which Lead Source and Lead Source Sub-type should be assigned.
- It is the responsibility of the field office or HQ program area that receives the application or referral for audit from the responsible team, to timely process the application or referral, and assign the Lead Source and Lead Source Sub-type. If the application or referral cannot be processed, it is the responsibility of the field office or HQ program area to contact the responsible team and explain why the work cannot be completed and return the work if necessary.

Revenue and Payment Report:

- The Revenue and Payment Report was designed to report on a specific Lead Source and Lead Source Sub-type or for an entire Lead Source group. The report is generated from IRIS through the reports sub-menu in the LSR library. It can be requested for a specific TAT (e.g. SR) or a group of TATs (e.g., all Sales and Use Tax TATs). The report may also be sorted by TAT and/or between existing and new accounts.
- The report may be requested for a specific period of time and will automatically generate an accompanying fiscal yearly report, whenever a report is requested. The report is separated into self-assessed and CDTFA-assessed categories, and will provide tax, interest, penalty, and payments, identified to a Lead Source and Lead Source Sub-type.

Activity Report:

- The Activity Report was designed to provide a history of user activity pertaining to Lead Source and Lead Source Sub-type changes made to an account or FO.
- The report is generated through the Lead Source Activity Report screen (LSR RA). The report can be requested for a specific user or for a specific office and can be requested for a specific TAT or TAT group.
- The report will display the before and after description codes, user executing the change or deletion, date, and reason the Lead Source or Lead Source Sub-type was changed or deleted.

ACCOUNTANTS' MAILING CODE**230.080****General**

Returns may be mailed in bulk directly to accountants servicing five or more taxpayers. These accountants are assigned tax return mailing code numbers ranging from 00001 to 99989.

When an accountant is assigned a mailing code number or the mailing address of an accountant already assigned a number changes, the Local Revenue and Allocation Unit (LRAU) will update the accountant information in the registration system.

Issuance of Accountant's Code

In order to obtain an accountant's mailing code, an accountant must submit a request showing the name and account number of five or more taxpayers whose returns he/she is to receive, along with signed authorization from each taxpayer asking that the returns be mailed to the accountant.

The CDTFA-91, *Tax and Fee Payer Authorization to Send Tax Returns to Accountant*, is designed for this purpose; however, a letter from the taxpayer indicating their account number, the name and address of the accountant and the mailing code number assigned to the accountant may be accepted in lieu of the CDTFA-91.

Authorizations taken in the field should be forwarded to LRAU. Existing accounts must have the accountant's code added or changed by the LRAU. All requests to add or alter the Accountant Code file must be submitted to the LRAU.

Accountant Closes Practice

When Headquarters is notified that an accountant is no longer in business, LRAU will cancel the accountant's code number. The accountant code will be removed from the taxpayer's registration record.

Accountant Change of Ownership

If an accounting business has a mailing code number and subsequently changes ownership, the new owners may not retain the code number. The new accounting firm owners must obtain new authorizations (CDTFA-91 or equivalent) from their clients and apply for their own mailing code number.

Mail Distribution

Generally accountants will file returns electronically via the CDTFA website. However, if an exemption has been granted, returns will be mailed to the accountant for accounts having the accountant code. All other mail will be sent to the mailing address of record for the taxpayer. This should be explained to both the accountant and the taxpayer.

BASIS REVIEW PROTECT CODES (BRP)**230.095**

The payment history of all sales and use tax accounts undergo an annual basis review to determine if they are assigned the proper reporting basis. The average amount of tax paid over the most recent 12 months determines the reporting basis. The annual reviews are initiated automatically, and selected taxpayers receive computer-generated letters advising them of changes in their reporting basis. Changes in reporting basis are made without field office review.

Also, in March of each year, there is a review of the accounts reporting no sales which identifies accounts that have not reported sales in the past year. This review initiates a letter advising each identified taxpayer that their permit will be closed unless they respond and establish to the CDTFA's satisfaction that their permit is still required.

Because all the annual basis reviews and the review of accounts not reporting sales are automatic, it is advantageous to have a method of excluding individual accounts from the annual reviews.

Basis Review Protect Codes and Descriptions

Codes are entered in the BRP registration field are used to exclude an account from certain annual basis reviews. This field is displayed at the bottom of the registration screen. There are three different codes available to exclude an account from review. The actual assigning of BRP codes requires a security level 3 (supervisor or designee) in order to ensure a second controlled review is performed before an account is removed from prepayment status or has a BRP assigned. Only one of the following codes can be assigned to an account:

- Alpha character "A" will exclude an account from all annual reviews except the Annual Sales Tax Prepayment Basis Review. Code "A" may be appropriate for an account assigned a more frequent reporting basis for collection purposes than would otherwise automatically be assigned. An account legally required to retain a permit which is not presently making sales would be another example. The account would otherwise be identified for possible closeout each year.
- Alpha character "B" will exclude a sales tax account from the Annual Sales Tax Prepayment Basis Review only. An account coded "B" will be included in all annual reviews except the prepayment basis review. Code "B" may be appropriate for an account with a taxable sales pattern of one excessively high month or quarter that causes their average monthly taxable sales for the test period to exceed the \$17,000 prepayment threshold. A college bookstore might be an example. A gasoline seller who clearly qualifies for an exclusion from prepayment under RTC section 6471.4 might also appropriately be coded "B".
- Alpha character "C" will exclude an account from all annual reviews. Accounts coded "C" might include out-of-state voluntary Certificate of Registration — Use Tax accounts which have requested a particular reporting basis.

Assigning Codes

BRP codes should only be assigned in cases where it is clearly established that a particular reporting basis is desirable and/or necessary for efficient control of the account. A taxpayer's desire to remain on a particular reporting basis should not, in and of itself, be reason to exclude an account from review.

Annual List of Accounts with BRP Codes

Annually, each Administrator will receive a list of accounts that have a BRP code. The list is informational only and will only require a response if there is possible misuse of assigning BRP codes.

REPORTING BASIS

235.000

SALES TAX PREPAYMENTS

235.010

Criteria

- Upon written notification by the CDTFA, any taxpayer who has an estimated measure of sales and use tax liability (taxable sales) of \$17,000 or more per month, as determined by the CDTFA, must make prepayments regardless of the volume of taxable sales, until notified by the CDTFA to discontinue prepayments. Retailers of motor vehicle fuel are not required to make prepayments to the CDTFA if 75% of the taxpayer’s gross receipts are from the sale of motor vehicle fuel, diesel fuel, aircraft jet fuel, or any combination of those fuels, as the fuel distributor is required to pre-collect a portion of the sales tax from the retailer (RTC section 6471.4).
- Any taxpayer with an average sales tax liability of \$10,000 or more per month must make their prepayments via the Electronic Fund Transfer (EFT) process. EFT prepayment forms are not required to be filed and are not provided to the taxpayer, although the payment is still due timely (see CPPM 235.035).
- An account must always be placed on a quarterly prepay reporting basis when the anticipated volume of business indicates prepayments will be required.
- The taxpayer will be given a CDTFA–1241–D, Notice of Prepayment Status, that explains the requirements in regard to the filing of prepayments and serves as a written notification the account has been placed on a prepayment basis.

Changing From Prepayment Reporting Basis

- If the account meets the criteria for prepayment status, it will not be changed to a different reporting basis without good reason.
- Moreover any change would be temporary as all accounts (except those with BRP Code B) qualifying for prepayment are automatically placed on prepayment basis each January 1.
- If the account meets the criteria for EFT, the account may be removed from prepayment status only when the average sales tax liability for the prior 12 months drops below the \$10,000 level and the taxpayer submits a written request to be removed from the EFT program. If the taxpayer does not make the written request, but remains below the \$10,000 threshold, the account will remain in EFT status; however the account will revert to a voluntary EFT account rather than a mandatory EFT account.

**LATE APPLICATION FOR A SELLER’S PERMIT
— PREPAYMENT ACCOUNT**

235.015

If the seller applies for a permit prior to the starting date, the effective date of the prepayment status is always the date the seller actually starts business.

Sellers who qualify for a prepayment status and apply for a seller’s permit after the date business started will be placed on a “regular” quarterly reporting basis and changed to prepayment status effective the first day of the succeeding quarter. However, they may be placed on prepayment status immediately if:

- It would not cause the account to be delinquent, and
- The taxpayer agrees that no personal hardship would ensue.

REGISTRATION

LATE APPLICATION FOR A SELLER'S PERMIT — PREPAYMENT ACCOUNT

(CONT.1) 235.015

CDTFAs-1241-D, *Notice of Prepayment Status*, will be given to the taxpayer at the time of application showing the effective date of prepayment. The taxpayer should also be informed of the reason he/she was not placed on a prepayment status as of his/her starting date, if that is the case. The registration system is date sensitive; therefore an account may initially be placed on a regular

quarterly reporting basis while the prepayment indicator may be placed in the reporting basis field using a future effective date.

REPORTING BASIS GUIDELINES

235.025

Sales Tax Accounts

The following reporting basis guidelines should be followed, although CDTFA staff should be flexible if taxpayers request an alternative reporting basis, with the exception of the Quarterly Prepayment reporting basis which is set by statute. A taxpayer with a history of delinquencies or accounts receivable would not normally be placed on a less frequent reporting basis than indicated by the guidelines.

Sales tax accounts with start dates between July and December that qualify for yearly basis, should be assigned a fiscal yearly basis (F). Fiscal yearly accounts report on a fiscal year that begins July 1 and ends June 30 of the following year, with returns due on or before the last day of July following the close of the fiscal year.

The monthly filing basis is not available for newly registered Sales and Use Tax Accounts, except in the following circumstances:

- If the taxpayer specifically requests to be placed on monthly reporting basis,
- If staff believes there is a need to place the taxpayer on a monthly reporting basis because of a history of non-compliance, or
- It is a temporary account

GUIDELINES

Anticipated Tax Accrual PER MONTH	Assign Reporting Basis
\$0 to \$100	Y (Yearly) or F (Fiscal Yearly*)
\$101 to \$1200	Q (Quarterly)
\$1,201 to \$9,999	P (Quarterly Prepayment)
\$10,000 and over	P (Quarterly Prepayment) — EFT

- *Sales tax accounts with start dates between July and December, which would qualify for yearly basis, should be assigned a fiscal yearly basis (F).*

ELECTRONIC FUNDS TRANSFER PROGRAM (EFT)

235.035

Under RTC section 6479.3, *Electronic Funds Transfer Payments*, the CDTFA implemented an Electronic Funds Transfer (EFT) process. The EFT Team in RAU is responsible for any sales and use tax inquiries regarding the EFT program that the field offices cannot handle. The EFT Team may be contacted by:

1. Telephone at 1-916-327-4229.
2. FAX at 1-916-322-8457.
3. Email at BTfD-RAUeServices@cdtfa.ca.gov

Inquiries sent by U.S mail should be addressed to CDTFA EFT Group, MIC:35, P.O. Box 942879, Sacramento, CA 94279-0035.

Payment Methods

The two methods routinely used for EFT payments are:

ACH Debit This method allows the taxpayer to transfer funds by authorizing the CDTFA to electronically debit the taxpayer's designated account for the amount that the taxpayer reported to the CDTFA for a specified period. This payment method is also available when a taxpayer files electronically on the CDTFA website.

ACH Credit This method allows the taxpayer to transfer funds by authorizing their financial institution to credit the CDTFA's bank account for the amount due for a specified period.

In addition to the ACH Debit and ACH Credit, a third EFT payment method called a "Fedwire" exists as well. The Fedwire transfers funds instantaneously but does not transfer data. The Fedwire is available as an EFT payment method only in emergency situations and only with the prior approval of the EFT Team.

Program Requirements

Taxpayers with average monthly sales and use tax liabilities of \$10,000 or more are required to pay by EFT. Taxpayers with average monthly sales and use tax liabilities of less than \$10,000 may request to participate in the EFT program on a voluntary basis by completing a CDTFA-555-EFT, *Authorization Agreement for Electronic Funds Transfer (EFT)*. (**Note:** accounts with TAT SC and ACC 8 are **not required** to pay by EFT, even though these accounts may meet the mandatory EFT threshold.)

Once enrolled in the EFT program, all participants, mandatory and voluntary, must continue to make their tax payments by EFT until they receive written notification from the CDTFA giving them an effective date to withdraw from the program.

The Revenue subsystem records in IRIS are reviewed annually to identify mandatory EFT participants. As part of this annual review, the IRIS system also identifies those accounts currently required to participate in the EFT process that have dropped below the mandatory participation threshold. To be considered for removal from EFT status, the account must average less than the threshold amount (\$10,000) for twelve months. If this condition is met, the taxpayer will receive written notification that the account is being removed from mandatory EFT status. The taxpayer will have the option of remaining in the program as a voluntary participant or withdrawing completely. Requests to withdraw must be submitted in writing to the EFT Team.

Due Dates

The EFT program has no effect on the due date for filing tax returns. All tax returns must be filed electronically or postmarked on or before the due date specified. Taxpayers who participate in the EFT program, but have received an exemption from electronic filing, are not required to file prepayment forms. However, they must make sure to pay their prepayment amount via EFT prior to the prepayment due date to avoid being assessed a penalty.

Payments made using the ACH Debit system can be made on or before the period due date. If payment is reported on the period due date, it must be completed by 3:00 p.m. Pacific Time for timely transfer into the state's bank account. EFT payments under the ACH Debit system can be requested up to 60 days in advance of the due date and "warehoused" until the release date specified by the taxpayer.

Payments made using the ACH Credit system may take longer to process. Taxpayers should confirm with their financial institution when to initiate the EFT process so that the CDTFA's bank account receives the taxpayer's payment timely.

REGISTRATION

ELECTRONIC FUNDS TRANSFER PROGRAM (EFT)

(CONT. 2) 235.035

For an electronic payment to be timely, the transferred funds must transfer into the CDTFA 's bank account by the first banking day following the tax due date. The IRIS Payment subsystem reflects both the effective date and the transfer date for EFT payments. This information is used to determine whether or not the payment was received timely.

Registration

EFT program participants must register by completing a CDTFA-555-EFT, *Authorization Agreement for Electronic Funds Transfer*, and submit it to the EFT Team. These application forms may be obtained on the CDTFA's website. If approved, the taxpayer will receive a confirmation letter and further information regarding the payment method chosen.

Applicants choosing the:

ACH Debit. Complete sections I and II of CDTFA-555-EFT and submit the form together with a voided check for the bank account from which the EFT payments will be debited. If the applicant is unable to provide a voided check, a bank specification sheet may be used instead. The specification sheet may be obtained by the taxpayer from their bank.

ACH Credit. Complete sections I and III of CDTFA-555-EFT.

Headquarters Responsibility

Each year, IRIS automatically generates the reports used by the EFT Team to conduct the annual mandatory participation review. Based on the review, Publication 159-EFT, *eFile Guide for EFT Accounts*, is mailed to all the accounts that meet the EFT criteria along with a cover letter containing the EFT requirements and the amount of time within which to return the agreement.

The EFT Team will review the authorization agreements and then enter approved agreements into IRIS, which will generate a confirmation letter and reflect the EFT start date. The EFT Team will forward the authorized agreements to the Taxpayer Records Unit when all necessary action is completed.

Field Operations Division Responsibility

The following types of accounts will receive Publication 159-EFT, *eFile Guide for EFT Accounts*, from the field offices when manually registering for a sales tax permit. All other accounts, including those that register electronically, will be identified for EFT registration through the annual participation review in Headquarters.

1. New successor accounts where the predecessor was on EFT as a mandatory participant and the successor purchased enough of the predecessor's locations to qualify as a mandatory participant who meets the minimum threshold requirements.
2. Ownership changes of substantially the same ownership, e.g., sole owner to corporation, if the prior account was on mandatory EFT.
3. Voluntary EFT taxpayers.

The field offices must notify the EFT Team immediately when items 1 and 2 above occur and supply both the taxpayer's name and account number along with the predecessor's name and account number.

EFT authorization agreements received in the field offices will be forwarded immediately to the EFT Team.

Applicant Responsibility

A new authorization agreement is required when there is a:

1. Change of payment methods (e.g., ACH Debit to ACH Credit).
2. Change of financial institution.
3. Change of designated bank account number.
4. Change of designated bank routing number.
5. Change of EFT contact person or telephone number.

The taxpayer must contact the EFT Team as soon as possible when making any of these changes.

System Information

When a taxpayer is participating in the EFT program, the following information will be available in IRIS on the Taxpayer Activity Registration System Account Inquiry (TAR AI) screen:

1. EFT Mandatory – Debit.
2. EFT Mandatory – Credit.
3. EFT Voluntary – Debit.
4. EFT Voluntary – Credit.

When a taxpayer is participating in the EFT program, the TAR AI screen will indicate an EFT identifier (>). The EFT Inquiry screen may be accessed by placing an “M” on the identifier. The EFT Inquiry screen contains basic information regarding the authorization agreement, EFT effective dates and EFT registration information. Banking information will be updated by the EFT Team upon receipt of a new authorization agreement when changes occur.

EFT payments will be posted on the Payment Subsystem in addition to the return information. To determine if a payment was made by EFT, you should go to the “PAY BA” screen or “PAY EA” screen. Place an “M” in the action field of the payment and press “Enter.”

EFT comments may be accessed from the *EFT Inquiry* screen. If EFT comments are available, it will be noted in the upper right-hand corner of this screen. Information regarding explanation of penalty assessments, penalty relief requests, etc. may be found here. Only RAU can update the EFT comments for sales and use tax accounts. The Return Processing Branch can update special taxes account comments relating to EFT.

Penalties

RTC section 6479.3 limits the penalties imposed to a maximum of ten percent of the taxes due for any one tax return, exclusive of any prepayments. There are a number of ten percent penalties that may be imposed on a tax return. The following information explains the type and circumstances when penalties are assessed.

Failure to Pay Taxes by EFT

For taxpayers required to pay by EFT, payment made by any means other than EFT (i.e., cash, credit card, or check) is subject to a ten-percent penalty for the non-EFT payment. All payments against future return payments and prepayments that are not made through EFT are also subject to this penalty. Therefore, all return payments and prepayments must be made through EFT to avoid this penalty, except in the case of persons who do not meet the EFT requirements and voluntarily sign up to pay their taxes via EFT.

Failure to File a Timely Tax Return

If a return is not filed on a timely basis, even though the EFT payment may have been paid timely, a ten percent penalty on the taxes that are due for the reporting period, excluding prepayments, will be assessed.

Late EFT Payment

If the EFT payment (other than prepayments) is not timely, the taxpayer will be assessed a ten percent penalty and applicable interest charges.

Late EFT Prepayments

Under RTC section 6479.3, if a prepayment is not timely or is not remitted by the appropriate EFT method, but the prepayment is made on or before the due date for the quarterly tax return, the taxpayer will be assessed a maximum six percent penalty. For example, if a check is received for the January prepayment after February 24 but prior to the first quarter (1st Qtr) tax return due date of April 30, a six percent penalty is assessed. If a timely prepayment is made by means other than EFT, a maximum six percent penalty is imposed. If the prepayment is made after the due date of the quarterly return, the taxpayer is assessed a maximum ten percent penalty.

Relief of Penalties

Since RTC section 6479.3 allows multiple penalties to be assessed to a taxpayer's account, e.g., failure to file timely and failure to pay by EFT, a taxpayer who requests relief from multiple penalties must provide a separate reason why relief should be granted for each separate penalty assessed. Taxpayers request relief by accessing the CDTFA website and submitting a request online. When the website is unavailable, they may complete a CDTFA -735, *Request for Relief from Penalty, Collection Cost Recovery Fee, and/or Interest*, to submit their request.

If the taxpayer indicates that payment by EFT was timely but the CDTFA's records show it was late, the taxpayer may file a CDTFA -129-EFT, *EFT Transmission Declaration*, certifying under penalty of perjury that the payment in question was transmitted on time. The CDTFA -129-EFT can be found on the CDTFA website.

If RAU staff concludes that an EFT payment was timely, the account records will be adjusted to show that no late penalty or interest is due. It may be necessary to examine the taxpayer's books or bank statement to determine whether an EFT payment was transmitted timely.

Non-Payment Report

The EFT Non-Payment Report is generated automatically by IRIS on the fourth working day after the due date of the payment and can be viewed in the IRIS PAY DI screen. The EFT Non-Payment Report provides field office staff with those accounts where a payment has not been received, as well as accounts that are missing prepayments and accounts with a return or returns that have not been filed.

The procedure for using this report is as follows:

1. Determine if payment has been posted, check the account using REV FZ in IRIS.
2. Determine if unapplied credits exist, check the account using DIF DA and/or PAY BU.
3. Check the EFT Comments screen to determine if the taxpayer has contacted the EFT Team regarding payment arrangements for the period in question.

ELECTRONIC FUNDS TRANSFER PROGRAM (EFT)

(CONT. 5) 235.035

If the taxpayer indicates payment has been made, it is possible that either the taxpayer or their bank has made an error on the addenda record, which is preventing the payment from posting to the proper account. The EFT Team will notify them of the type of error made when the EFT Team corrects the entry. If payment arrangements do not appear to have been made, the taxpayer should be contacted. If the taxpayer indicates payment has not been made, he or she should be instructed to do so immediately through the EFT program.

Occasionally an account may appear on the report but the payment is reflected when the Revenue Subsystem (REV FZ) is checked and a RAU adjustment is indicated on the “REV SV” screen or the “REV RE” screen for that period. This will occur when the EFT Team has had to manually move the payment after the report was generated to the proper account because the addenda record was incorrect. No action needs to be taken on these.

When the taxpayer designates the prepayment period erroneously (e.g., prepayment 2 instead of prepayment 1), please notify the EFT Team by sending an email with the taxpayer’s name, account number and description of the error to mailbox “SUTD-RAU Electronic Maintenance Requests.”

When a taxpayer with multiple account numbers processes a payment under only one account number, please notify the EFT Team with the account number reflecting the payment and other accounts the payment covers.

Questions regarding this report should be directed to the EFT Team.

Non-Remittance Report

IRIS generates the EFT Non-Remittance Report on the twenty-eighth day of each month and notifies the EFT Team of those accounts that have filed a return where no remittance or a partial remittance has been received. The EFT Team reviews the list and attempts to match the payments that have not been properly posted to a taxpayer’s account for the tax return in question. Accounts that appear to have a valid non-remittance or partial remittance for a return period are billed accordingly. Questions regarding this list should be directed to the EFT Team.

Miscellaneous

SC Accounts:

Certain SC accounts are not required to participate in the EFT program. Direct any questions regarding which SC accounts are involved to the EFT Team.

Tracing a Payment:

Occasionally, it may be necessary to trace an EFT payment. Taxpayers reporting through ACH Debit will be furnished with a reference number with each transaction. The taxpayer should contact the EFT Team with the reference number and other payment information for the payment in question and the EFT Team will work with the taxpayer and the CDTFA’s bank to trace the date and time of payment.

Taxpayers reporting through ACH Credit must work directly with their bank to trace a payment. The EFT Team is not able to assist the taxpayer in these cases.

Zero Amount Due:

Although no tax may be due for a given period, an EFT transaction must still be made. The taxpayer should be instructed to indicate a zero dollar amount. For ACH credit accounts, a brief letter indicating no tax due for a given period may be faxed to 1-916-322-8457.

First Payment:

When a taxpayer enters the EFT program, the first payment due after the effective date must be made through EFT. For example, if the effective date is January 1, 2014, the first payment due through EFT would be the fourth quarter (4th Qtr) or December 2013 return due on or before January 31, 2014.

Last Payment:

When an active account is removed from participation in the EFT program, the last payment due through EFT would include those periods due prior to the effective date of the change. For example, if the taxpayer is removed from the EFT program effective December 31, 2012, the November 2012 prepayment is the final payment due through EFT.

When an account participating in the EFT program closes out, the final return is due through EFT.

REGULAR REPORTING BASIS

235.065

Regular reporting basis is one that is concurrent with the calendar month, quarter or year. For example, the full month of January, the full first quarter of January, February and March or the full year, beginning January 1 and ending December 31.

A regular fiscal year basis is one that would begin July 1 of any year and end June 30 of the next year.

SPECIAL REPORTING BASIS

235.070

Some sellers may request to report on a special basis. For example, instead of reporting for a calendar month of January, the seller may wish to report for the period December 27, 2012 through January 26, 2013. In this case, a special monthly basis may be assigned.

Special monthly, quarterly or yearly basis may be assigned to a seller. However, before this can be done, a request to be placed on a special reporting basis must be submitted to RAU. A proposed two year reporting calendar must also be submitted for review. If approved, the special reporting calendar will be input in the registration system so the taxpayer receives timely returns.

DIFFERENT CLASSES OF SALES TAX ACCOUNTS 240.000

OVERVIEW 240.005

Sales and use tax TATs allow both single outlet accounts, consisting of a single selling location, and multiple outlet accounts, consisting of two or more selling locations. Single outlet accounts are discussed in this subsection. Multiple outlet accounts, called “consolidated accounts,” are discussed in CPPM section 245.000.

SINGLE OUTLET ACCOUNTS 240.010

Four types of single outlet sales tax accounts exist:

- | | |
|----------------------------|---------------------|
| 1. Regular sellers, TAT | SR |
| 2. Classified sellers, TAT | SR |
| 3. Special sellers, TAT | SR S |
| 4. Temporary sellers, TAT | SR (ACC 001) |

Regular Sellers, Classified Sellers and Special Sellers differ from each other only in the manner in which local tax is handled. Temporary Sellers differ from the other three in length of operation. A decision table to assist you in determining which TAT to use for single outlet sales tax accounts may be found in CPPM section 240.035.

REGULAR SELLERS 240.020

Single outlet accounts requiring no special allocation of local tax and no special or supplemental tax returns or schedules are considered regular sellers. These accounts constitute the majority of sales and use tax accounts administered by the CDTFA .

CLASSIFIED SELLERS 240.030

Classified sellers are single outlet sales tax accounts, but due to the nature of business, require special allocation of local taxes by the CDTFA . The CDTFA has determined that classified sellers with local tax amounts less than \$600 per year do not require special schedules or tax returns to be prepared by the taxpayer. The Local Tax is allocated based upon statistical analysis. Examples of “classified sellers” might include construction contractors, mobile auto repair facilities, vending machine owners, door to door sales, and persons who regularly conduct business in various temporary locations.

If an account originally coded as a classified seller increases in taxable sales volume beyond the \$600 annual local tax threshold, the account becomes a Special Seller, and is required to break down sales by county. See CPPM section 240.040 for additional discussion of special sellers.

Classified sellers’ permits are coded SR, with the third through fifth digits of the area code ending in “999.” The “999” codes flag the account for further distribution of local taxes. For example, a classified seller in Ventura County would have an area code of 56-999-000-0000.

Additional discussion of specific types of classified sellers may be found in CPPM section 255.000, et seq.

REGISTRATION

DECISION TABLE — SPECIAL SELLERS, CLASSIFIED SELLERS

240.035

Single Outlet Codes for:

Area Code, Local Tax Code, Taxable Activity Type, Office Code

CONDITION	A	B	C	D	E	F	G	H
Auctioneer or Construction Contractor	Y	Y						
Itinerant Vendor or Vending Machine Operator			Y	Y				
Sellers who purchase ex-tax for use at locations not requiring a permit					Y			
Out-of-state seller with in-state business address						Y	Y	
Seller located in fringe area							Y	Y
Out-of-state or fringe area seller with NO in-state business address								Y
Local Tax LESS than \$600 per year		Y						
Large scale business with installations in 2 or more counties			Y					
ACTION	A	B	C	D	E	F	G	H
Enter Taxable Activity Type SR S	X		X		X		X	X
Enter Taxable Activity Type SR		X		X		X		
Third through fifth digits of area code are 999		X		X			X	X
Area code to in-state business location	X		X		X	X		
Use office code of OH, OHA, OHB, or OHC						X		X
Use office code of fringe area office								X
Use office code of in-state office responsible for business address							X	

For additional guidance for accounts with books and records out of state or in fringe areas see section 270.000.

SPECIAL SELLERS

240.040

Special sellers, like classified sellers, are also single outlet accounts requiring further allocation of tax by the CDTFB . Special sellers:

- Require sales tax returns containing a CDTFB -531, *Schedule B- Detailed Allocation by County of 1% Local Sales and Use Tax*, normally due to local tax exceeding \$600 per year.
- Special sellers’ permits are coded SR S; it is this code which determines whether tax returns containing Schedule B are sent.
- Special seller taxpayers must complete Schedule B, detailing by county where taxable sales were made. These returns are then manually processed in Headquarters to further distribute local taxes.

Further discussion of special sellers may be found in CPPM section 265.000.

TEMPORARY SELLERS

240.050

Temporary sellers typically operate a selling operation with duration of one month or less.

- Examples of selling operations qualifying as temporary are Christmas tree lots, carnivals, rummage sales and fireworks stands.
- The CDTFB may issue a temporary permit, however, for up to 90 days if necessary.

Further discussion of temporary sellers may be found in CPPM section 250.000.

CONSOLIDATED ACCOUNTS — REGISTRATION

245.000

CONSOLIDATED ACCOUNTS DEFINED

245.005

A consolidated account is a sales tax account with two or more selling locations for which a single tax return is filed. No seller should be required to hold a consolidated permit if he/she prefers to file separately for each selling location.

MASTER LOCATION DEFINED

245.010

Consolidated sales and use tax accounts are issued to a “master location,” which generally is the location of books and records necessary for audit. A master location does not necessarily need to be a selling location, hence a master location may be in one district, with all selling sublocations located elsewhere.

A master permit is only an authorization to file consolidated returns, not to make sales of tangible personal property. As stated in the previous paragraph, the master location of a consolidated account is generally the address at which the books and records necessary for audit are maintained. The location of an out-of-state accountant or bookkeeper, as is common in franchise operations, is not a master location.

If a sales location is also the master location, a sub-permit and a consolidated permit are required for that location. Because a master location may not have a permit as a place of business, enforcement or punitive measures regarding master locations may not be available to the CDTFA.

SR X Consolidated Accounts

TAT SR X is a consolidated account with all sublocations located within the same taxing jurisdiction. The master location for an SR X account may be in another district or another county, yet the tax area code will be shown for where the sublocations are situated.

For example, a taxpayer operates two sublocations within the city of Ventura, with a tax area code of 56020-000-0000, but books and records for audit purposes (master location) are in North Hollywood. The permit will be issued as follows:

Taxable Activity Type:	SR X
Master location:	North Hollywood
Office of control:	AC — Van Nuys (which has administrative responsibility for accounts in North Hollywood)
Area code on master:	56020-000-0000

See also CPPM section 230.030 for further discussion of area codes for SR X accounts.

SUBLOCATION DEFINED

245.015

A sublocation is one of two or more business locations from which sales of tangible personal property are made, and for which sales are reported under a single sales and use tax account number.

Sublocations are usually found with sales TAT codes SR X, SR Y and SR Z, but occasionally are found with temporary accounts SR (ACC 001). Sublocations with TAT codes SR Y, SR Z, and (generally) SR (ACC 001) are not in the same taxing jurisdiction. Taxing jurisdiction includes a city, unincorporated county area, district, or redevelopment area, because each may receive a portion of taxes collected as a result of Bradley Burns Local Tax or statute. See also CPPM section 230.030 for additional information.

REGISTRATION

PERSONS TO WHOM ISSUED

245.020

As a general rule, consolidated permits may be issued to sellers having two or more selling sublocations in one or more taxing jurisdictions, provided staff determines it is in the best interest of the taxpayer and the CDTFA. Those sellers who do not maintain their records in a manner enabling them to report conveniently on a consolidated basis should be encouraged to file separate returns even though they meet the requirements for being issued a consolidated permit.

CONSOLIDATED ACCOUNTS IN A SINGLE TAXING JURISDICTION

245.025

Consolidated accounts issued to persons having two or more locations within the identical taxing jurisdiction require no further allocation of local tax (accounts with the same 12–digit tax area code for all locations). They are always assigned account numbers with the TAT code SR X. Accounts coded SR X file a regular sales and use tax return with no special schedules. Once each year these accounts are sent a list of all locations of record and a letter requesting confirmation of existing locations. Also, taxpayers are requested to inform the CDTFA of new or unlicensed outlets, or outlets which moved or closed out. (See CPPM sections 245.010 and 230.030.) For temporary accounts TAT code SR (ACC 001), please refer to CPPM section 245.060.

REGULAR CONSOLIDATED ACCOUNTS REQUIRING LOCAL TAX ALLOCATION

245.030

Consolidated accounts issued to persons having locations in more than one taxing jurisdiction require further allocation of local tax. They are assigned account numbers with TAT code SR Y or, as explained in the following section, SR Z. When filing returns electronically, the taxpayer will be required to designate sales made at each location. For those who file a paper return, they will also be required to complete CDTFA –530, *Schedule C — Detailed Allocation by Suboutlet of Local Sales and Use Tax*, to provide for allocation of tax by sublocation. (See CPPM section 230.030.) For temporary accounts TAT SR (ACC 001), please refer to CPPM section 245.060.

CONSOLIDATED ACCOUNTS — SPECIAL SELLERS

245.035

TAT code SR Z is a consolidated Special Seller (SR S) account. These are consolidated accounts issued to persons who are special sellers, as described in CPPM section 265.000 et seq., and have two or more locations. They are always assigned account numbers with the TAT code SR Z. When filing returns electronically, the taxpayer will be required to designate sales made at each location. For those who file a paper return, they will also be required to complete CDTFA –530, *Schedule C — Detailed Allocation by Suboutlet of Local Sales and Use Tax*, to provide for allocation of tax by sublocation. A schedule on the reverse side of the consolidated return provides for allocation of tax by counties.

CONSOLIDATED ACCOUNTS — ITINERANT VENDORS

245.040

Itinerant vendors in general are discussed in CPPM section 260.010.

Generally, an itinerant vendor will indicate an address where the books and records of the business are located and a location where most of their sales will take place. The question arises: “What happens when the location of the books and records becomes a selling location?” Whenever a particular location becomes a selling location, that place must be added to the account as a sublocation. This will cause the account to be changed from an SR account to an SR Y or SR X account.

CONSOLIDATED ACCOUNTS — ITINERANT VENDORS

(CONT.) 245.040

Following are four examples that should help in determining proper account coding:

1. When an itinerant vendor, whose residence is listed as the original business location and whose local tax allocation is under \$600 per year, decides to sell at a swap meet, the original business location will become Sub 0001 with a tax area code of XX999 and the swap meet location will become Sub 0002 using the specific tax area code for the swap meet.
2. When an itinerant vendor, whose residence is listed as the original business location and whose local tax allocation is under \$600 per year, decides to open up a permanent retail location, the original business location will become Sub 0001 with a tax area code of XX999 and the permanent retail location will become Sub 0002 using the specific area code for that retail location.
3. An itinerant vendor whose local tax allocation is over \$600 per year and all, or substantially all, sales are made in one county should be an SR account with a tax area code of XX999. If sales are made on a large scale in more than one county and the local tax is more than \$600 per year, the account should be coded SR S with the area code of the permanent business address.
4. How should an account be coded when an itinerant vendor whose residence is listed as the original business location and whose local tax allocation is over \$600 per year decides to open up a permanent retail location? If all, or substantially all, the vendor's operations are made in one county, Sub 0001, the original business location, will be coded XX999 and Sub 0002, the retail selling location, will be coded to the appropriate local area code and the TAT will be SR Y. The account will become an SR Z only if the local tax on itinerant sales are over \$600 per year, and not generally confined to the county of residence.

CONSOLIDATED ACCOUNT

245.050

Exact Location Verification

Many post office delivery areas overlap city and/or county boundaries. As a result, proper verification of the exact location of a sublocation in some areas is very difficult. For example, the city of Watsonville is an incorporated city within Santa Cruz County with tax area code 44052-041-0000. Watsonville postal delivery also includes unincorporated portions of Santa Cruz County (44998-041-0000). Immediately across the Pajaro River to the south are unincorporated portions of Monterey County (27998-032-0000) and San Benito County (35998-015-0000,) served by the same Watsonville post office. There are streets in all three counties that have same or similar names. A similar situation exists in Folsom (Sacramento, El Dorado, and Placer Counties); Thousand Oaks and Malibu (Ventura and Los Angeles Counties); and Los Gatos (Santa Clara and Santa Cruz Counties). The importance of accurate coding for sublocations has become even more important and cannot be overemphasized, and for this reason the "County" for each sublocation must be entered.

Not All Selling Locations in California

Sublocations must be located within California. Many consolidated accounts have sublocations in California, and also fill orders to California consumers from out-of-state locations. When this situation is encountered, the taxpayer becomes a "special seller" (See CPPM section 240.040 for the definition of "special seller"). No separate sublocation is established at the out-of-state location, but sales to instate consumers made from the out-of-state location must be reported.

CONSOLIDATED ACCOUNT**(CONT.) 245.050**

Local taxes plus any applicable district taxes must be allocated to the purchaser's county when filing electronically or for paper filers on CDTFA –531, *Schedule B – Detailed Allocation by County of 1% Local Sales and Use Tax*. Use the TAT code SR Z for this type of account (SR Z is a consolidated Special Seller account).

Fiscal Impact of Errors

Errors in assigning tax area codes will result in the improper distribution of local tax revenues unless CDTFA records are corrected prior to distribution of the tax. Such misallocations directly impact local government finances because the correct recipient is denied expected funds and the jurisdiction receiving the local tax in error may make important fiscal decisions based on overstated amounts. An improper distribution followed by a subsequent correction can have a material effect on the jurisdictions involved. For this reason, the importance of accurate coding cannot be overemphasized.

TEMPORARY CONSOLIDATED ACCOUNTS**245.060**

TAT code SR (ACC 001) applies to all temporary accounts (whether consolidated or not). Unlike consolidated TAT codes (SR X, SR Y, and SR Z), temporary consolidated accounts are treated like a single outlet temporary account.

The decision tables in CPPM section 245.075 and section 120.005 of the Business Taxes Code Book do not apply to consolidated temporary accounts.

For consolidated temporary accounts with books and records located in a fringe area or out-of-state, the tax area code for the master location is used as though the account was a single outlet account. The decision table in section 120.010 of the Business Taxes Code Book may assist in determining the proper tax area code.

IMPORTANT! If providing paper returns, staff must furnish the taxpayer with CDTFA–530, *Schedule C — Detailed Allocation by Suboutlet of Local Sales and Use Tax*. See CPPM section 510.070.

**PERMITS FOR GASOLINE STATIONS
OPERATED TEMPORARILY BY OIL COMPANIES****245.065**

- Oil companies holding sub-permits for their service station locations will not be required to close out the sub-permit when a lessee takes over the operation of the location and obtains a permit.
- The oil companies may keep the sub-permit active to allow for their operation of the location in the event that the lease is terminated.
- The oil companies will include in their sales and use tax returns transactions for the stations they operate temporarily.

**RETAILERS OF GASOLINE QUALIFYING
AS RETAILERS UNDER SECTION 6015****245.070**

A retailer of gasoline sold at markets and similar businesses may be approved to operate under RTC section 6015.

- In such cases, the retailer is issued a consolidated permit with a sub-permit issued for each fixed location.
- The account is assigned the TAT code SR Y so that proper allocation of local tax can be made.
- The operators at locations where the companies approved under section 6015 furnish gasoline will not be liable for, or required to include gasoline sales in their returns.

CONSOLIDATED ACCOUNTS — DECISION TABLE

245.075

**CONSOLIDATED ACCOUNTS
(2 OR MORE BUSINESS LOCATIONS)**

CONDITION	A	B	C
All business locations in a single taxing jurisdiction	Y		
Businesses located in 2 or more taxing jurisdictions		Y	
* Special Sellers reporting MORE than \$600 in Local Tax per Year			Y

ACTION	A	B	C
Enter Taxable Activity Type SR X	X ¹		
Enter Taxable Activity Type SR Y		X ¹	
Enter Taxable Activity Type SR Z			X ¹
Area code to business locations	X ²		
Third through fifth digits of Master area code are 000		X ²	X ²

- Auctioneer, Construction Contractor or Vending Machine Operator

For accounts where the master location is situated outside California see decision table at section 120.010 of the Business Taxes Code Book.

TEMPORARY SELLERS

250.000

OVERVIEW

250.005

Temporary permits are issued to cover a selling operation of a temporary nature normally lasting no longer than 90 days at one location.

- These permits are usually issued for rummage sales, Christmas tree sales, fireworks sales, carnivals, and similarly limited operations.
- Taxpayers who hold seller’s permits for permanent places of business and also conduct operations of a temporary nature at places such as fairs or carnivals, are required to hold subpermits for temporary operations. See also CPPM section 255.045.

TEMPORARY SELLERS: BOOKS AND RECORDS OUT-OF-STATE

250.006

Taxpayers with TAT code SR S and an out-of-state office identifier, who make sales at an event in California for the first time will be issued a temporary permit. If the event location is a recurring location, the event location should be registered as the main business location and the office identifier will remain assigned to where the books and records are located.

The decision table in section 120.005 of the Business Taxes Code Book will assist in determining the correct office of control.

TEMPORARY SELLERS — REGISTRATION

250.010

Temporary sellers are registered in the same manner as “regular” sellers. The only difference is that when registering in the system manually, the dates of operation must be entered. CDTFA –442–ST will print for a temporary account and will have the valid start and ending dates entered.

REGULAR SELLERS

255.000

OVERVIEW

255.005

Regular sellers are single outlet sales tax accounts requiring no further special allocation of local taxes by the CDTFA . Examples of “regular sellers” might include part time sellers, service industries, single outlet retailers, and home businesses.

Regular seller’s permits are coded with the TAT SR, with the third through fifth digits of the area code ending in numbers from “001” through “998”.

CONCESSIONAIRES

255.010

For sales and use tax purposes, concessionaires are retailers who operate on another person’s business premises. A concessionaire may or may not hold a seller’s permit depending on the arrangements the concessionaire makes with the owner of the premises. Concessionaires who hold sellers’ permits are liable for remitting tax along with filing a tax return.

If a concessionaire does not hold a permit, the permit holder for the premises upon which the concessionaire is allowed to operate becomes liable for all of the concessionaire’s tax. Taxes generated by concessionaire sales should be reported and paid on the permit holder’s regular sales and use tax return.

The permit holder (prime retailer) may be held jointly and severally liable for any sales and use taxes imposed on unreported retail sales made by the concessionaire if the concessionaire does not have a seller’s permit for that location. Such a prime retailer will be relieved of his or her obligation for sales and use tax liabilities incurred by such a concessionaire for the period in which the concessionaire holds a permit for the location of the prime retailer or in cases where the prime retailer obtains and retains a written statement that is taken in good faith in which the concessionaire affirms that he or she holds a seller’s permit with the CDTFA .

When concessionaires are found operating without a permit, the permit holder for the premises upon which concessionaire activities are occurring needs to be contacted and informed of potential or actual liability.

Reference: Sales and Use Tax Regulation 1699

SALESPERSONS AND ORDER TAKERS

255.020

Salespersons and solicitors who merely take merchandise orders, then turn the order over to their Salespersons and solicitors who merely take merchandise orders, then turn the order over to their employer for filling and passage of title and possession to the buyer, are not considered retailers and do not require a seller’s permit.

Order takers may accept down payments or collect on delivery, but if they do not acquire title to merchandise being sold or possession of property with authority to pass title, they are not required to hold a seller’s permit.

Orders solicited in California for an out-of-state retailer who does not hold a Certificate of Registration — Use Tax, and who maintains no California place of business, must be reported by the solicitor or order taker on an information use tax return each quarter. Refer these cases, when discovered, to the Out-of-State Office for further investigation.

RTC section 6203 defines “retailers engaged in business in this state”; therefore, CDTFA personnel should be alert to recognize and report sales activities of representatives and solicitors of out-of-state retailers operating within California (retail sales only, as RTC section 6203 does not apply to sellers whose sales are all for resale). Such sales might be discovered through complaints of local retailers, observation of the activities of sales representatives, examination of records of

REGISTRATION

SALESPERSONS AND ORDER TAKERS

(CONT.) 255.020

purchasers, and advertising placed in local newspapers. The most efficient enforcement program will be accomplished by individual initiative to follow through on promising leads to register the out-of-state seller.

The following sources of information, though not inclusive, should prove helpful in locating out-of-state retailers who may be engaged in business in California:

- Truck, railroad, and airplane terminals,
- Public warehouses,
- State agencies, such as Division of Corporations, Franchise Tax Board, Consumer Affairs — Contractor's State License Board, Department of General Services — Office of Procurement, and Department of Food and Agriculture, or
- City Clerk's Office (Business Licenses)

HOBBYISTS AND PART-TIME SELLERS

255.030

Hobbyists, part-time sellers, or other persons who make sales or exchanges of property as a sideline activity are required to hold seller's permits if their sales are sufficient in number, scope and character to constitute an activity requiring a permit. As noted in CPPM section 230.060, part-time accounts are denoted in the system with an ACC of 2 and can only be applied to accounts on a fiscal yearly or yearly reporting basis. Permits that are coded as part-time (ACC 2) do not automatically become revoked for failure to file returns, unlike permits of full-time businesses. Because of this, there are specific guidelines for using the ACC 2 code when issuing a permit, regardless of whether applicants indicate their business is "part-time." The criteria for using ACC 2 are as follows:

The business' gross receipts do not exceed \$20,000 per year,

- The business' anticipated tax accrual does not exceed \$100 per month,
- The place of business is closed during hours usually associated with their type of business,
- The business is not the operator's primary source of income, and
- The business operator is not an itinerant vendor assigned a countywide tax area code.

BARBER, BEAUTY SHOPS AND SERVICE BUSINESSES

255.035

Barbershops, beauty salons and other "service businesses" are consumers of tangible personal property used incidentally while providing their professional services. No seller's permit is required unless sales of cosmetics, wigs, or other retail items occur more than occasionally.

SWAP MEETS, FLEA MARKETS AND SPECIAL EVENTS

255.045

RTC section 6073 defines "swap meet, flea market, or special event" as:

1. An activity involving a series of sales sufficient in number, scope and character to constitute a regular course of business, or
2. Any event at which two or more persons offer tangible personal property for sale or exchange and at which either a fee is charged for the privilege of displaying such property for sale or exchange, or at which a fee is charged to prospective buyers for admission to the area where such property is offered or displayed for sale or exchange.

Special events include trade or specialty shows, fairs, festivals and similar limited term promotional events.

RTC section 6073 also requires event operators to obtain, before renting or leasing space to a person desiring to engage in or conduct business as a seller on premises owned or controlled by such operator either, of the following:

1. Evidence that the seller holds a valid seller's permit.
2. A written statement from the seller that he or she is not selling any tangible personal property that is subject to sales tax.

Form BCIA 56, *Swap Meet Vendor Information Report*, or [CDTFA 410-D, Swap Meets, Flea Markets, Or Special Events Certification](#), are used to collect information from sellers at these events. The Form BCIA 56 is a Department of Justice form created under Business and Professions Code section 21663. Completion of this form by an event operator constitutes compliance with the seller verification provisions of RTC section 6073. If Form BCIA 56 is not used, then the equivalent information may be obtained using CDTFA -410-D.

In general, sellers at swap meets, flea markets and special events who sell tangible personal property at retail are required to obtain seller's permits and pay the sales tax on the gross receipts from these sales. The only exceptions are:

1. Persons selling exempt food products not for consumption on the premises, such as fruits or vegetables.
2. Persons selling items that were purchased tax-paid from approved RTC section 6015 retailers, such as Avon, Tupperware, etc.
3. Persons who are "occasional sellers." Occasional sellers only include those persons whose sales are of such limited number, scope, and character that their activity does not require the holding of a seller's permit. For example, a person who is disposing of unwanted household items, and does this no more than twice in any twelve month period, is considered to be an occasional seller. See Sales and Use Tax Regulation 1595 for further information regarding occasional sales.

The requirements of RTC section 6073 must be uniformly enforced; and the selling activities of itinerant sellers cannot be ignored. Conducting periodic investigations of these events on a regular basis encourages event operators to comply with the law and helps create uniformity in the CDTFA's dealings with them.

Field offices will identify swap meets and other special events operating within their geographic area of responsibility. Staff will take proper action to educate operators and sellers to assure compliance with the law, and will verify that sellers attending these events are properly registered. Cooperation with the operator is the most desirable method to reach individual sellers. Advance schedules of events should be obtained on a regular basis, and operators contacted to allow individual sellers sufficient lead-time to comply with CDTFA requirements.

Operators will be notified of the provisions of RTC section 6073 (CDTFA 410-A, *Notice to Swap Meet Operators*, is recommended) and informed that permission to sell at the function should be refused to any prospective seller unless written verification of a valid seller's permit (or other appropriate certification) is obtained. CDTFA 410-B, *Notice to All Sellers (Permit Requirements)*, should be supplied for display on the premises during the event.

RTC section 6073 places additional record-keeping obligations on operators. Under this section, upon written notification to the event operator the CDTFA can require an operator to submit a list of vendors conducting business on the operator's premises as retailers. The CDTFA can impose this requirement up to three times each calendar year for each operator. (Refer to RTC section 6073 for the specific information authorized to be collected.) Records must be retained to the same extent as provided in RTC section 7053. Sales and Use Tax Regulation 1698, *Records*, sets forth the specific time-period to retain the records.

REGISTRATION

SWAP MEETS, FLEA MARKETS AND SPECIAL EVENTS

(CONT. 2) 255.045

Failure by an operator to comply with either the seller verification provisions of RTC section 6073 or the list submission requirements will subject that operator to a one thousand dollar (\$1,000) penalty for each offense, which is assessable by the CDTFA .

Out-of-State Retailers Who Participate in Convention or Trade Show Activities

If the following conditions apply to out-of-state retailers who participate in conventions and trade shows in California, they are required to collect and report tax only on sales of property at the trade show or convention or those resulting from orders that are taken at the trade show or convention:

1. Their only physical presence in California is to participate in convention and trade show activities; and,
2. They or their representatives do not participate in those convention and trade show activities for more than 15 days during any 12-month period; and,
3. They did not make more than \$100,000 gross income from these activities in California during the previous calendar year.

Local Tax

When the operator of an event is an itinerant seller, the operator's account should be converted to consolidated, TAT code SR Y or SR Z, and a subpermit should be added for each location. The operator will then report tax for each location when filing returns electronically on the CDTFA website, or for taxpayers exempt from electronic filing, on CDTFA -530-*Schedule C - Detailed Allocation by Suboutlet of Local Sales and Use Tax*.

Taxpayers who hold a seller's permit for permanent places of business and also make sales at temporary locations, such as swap meets, flea markets, fairs, and other special events, are required to hold separate or subpermits for those temporary sales locations. The local tax will be allocated when filing returns electronically, or reported on Schedule C when they file the return.

Comments should be entered in IRIS when the selling location of an event is added to the account. For uniformity, when entering the comments in the registration system (TAR subsystem) under the "Category" field, type or select from the F1 Help menu, "REGIS." In the "Subject" field type, "Event Location" and identify the sublocation number and type of event. For example, "Sublocation 3 - Flea Market" or "Sublocation 4 - Computer Show."

When registering temporary locations as sublocations, the taxpayer should be advised that if the permit is revoked there will be a \$100 reinstatement fee assessed for each business location including temporary sublocations.

Close out of sublocations and conversion of affected accounts from consolidated to single location will be performed in the field offices. Any questions that cannot be answered by field staff should be directed to the Local Revenue Allocation Unit.

Follow-Up

"Pre-working" of the event is effective only when adequate follow-up is maintained. Sellers' names and permit numbers should be obtained from the operator and verified against the registration file. If permits are found to be invalid, appropriate action will be initiated to secure compliance. The event should be spot checked to assure compliance of the operator and the attending sellers. Staff should be vigilant when looking for revoked accounts and accounts closed after revocation (close out code "8"). When encountered, the assigned collector should be contacted to provide background and assistance. Under no circumstances should revoked or unpermitted sellers be ignored.

SWAP MEETS, FLEA MARKETS AND SPECIAL EVENTS

(CONT. 3) 255.045

Determinations To Clear Delinquent Periods

Each field office should establish a procedure to detect sellers that frequently obtain a temporary seller’s permit, but fail to file returns. A check of the IRIS Registration database will indicate multiple temporary permits with under which no returns were filed. Such situations will be remedied by issuing determinations and withholding or refusing to issue a permit until the liability has been satisfied. Persons who excessively certify that they are occasional sellers should be treated similarly.

CHARITABLE ORGANIZATIONS

255.050

Sales by charitable organizations are exempt from the sales tax if certain conditions are fulfilled. However, if the retail sales are made by an auxiliary entity, not a part of a qualified organization, and not in itself qualifying for exemption, the sales are subject to sales tax. Although a charitable organization’s sales may be exempt from sales tax and property tax, they may still be subject to tax and fees under one or more Special Taxes and Fees programs. Taxpayers should be referred to the Program and Compliance Bureau for more information.

Charitable organizations whose sales are exempt from sales tax are still required to hold a seller’s permit.

The conditions that must be fulfilled for exemption are:

1. The organization must be formed and operated for charitable purposes, and must qualify for the “welfare exemption” from property taxation provided by RTC section 214.
2. The organization must be engaged in relief of poverty and distress.
3. The organization’s sales or donations must be made principally as a matter of assistance to purchasers or donees in distressed financial condition.
4. The property sold or donated must have been made, prepared, assembled or manufactured by the organization.

Condition (1) is fulfilled if the organization qualifies for the exemption provided in RTC section 214. This exemption must cover the real and/or personal property owned by the organization, and situated at the location from which sales are made. If the organization does not own the real property, it must qualify for exemption of the personal property at that location, i.e., inventory, furniture and fixtures, etc.

Organizations wishing to obtain the property tax exemption must first establish themselves as a “nonprofit organization” with SOS, and either FTB or IRS. Forms to apply for recognition as a nonprofit organization are available from the respective offices of these agencies. Next, they must apply for the “welfare exemption” through the County Assessor of the county in which the property is located by February 15 of each year. The County Assessor forwards the exemption claim to the County-Assessed Properties Division where the claimant’s organizational document, activities, and use of properties are reviewed. It is possible that a claimant’s articles of incorporation, etc., would satisfy the statutory requirements but that the use of certain properties would be such that the property could not be exempted. If the property used at the location from which retail sales are made is not exempt, the organization cannot be granted the welfare exemption on that property or the sales tax exemption sales made at that location.

The County-Assessed Properties Division makes a decision and advises the applicant of status either on all or, if there is a difference in use, on individual properties. For more information about qualifying for the welfare exemption, see [publication 149, Property Tax Welfare Exemption](#).

Organizations must qualify for property tax exemption every year. If a change in the articles of the organization or method of operation causes failure to qualify for the exemption in any year, sales will be subject to sales tax for that property tax year.

REGISTRATION

CHARITABLE ORGANIZATIONS

(CONT.) 255.050

Charitable organizations applying for a sales tax permit should be advised of the exemption requirements. If the date is after the March 15 filing date for the year, they should be advised to make application to the County Assessor to determine whether they would be considered as qualifying. If they obtain a letter from the County Assessor or from the County-Assessed Properties

Division stating that they would be qualified for the exemption, the CDTFA can exempt them from payment of sales tax pending their qualifying at the normal filing time. (A similar letter should be obtained if an organization fails to make timely application in a succeeding year.)

If the organization is unable to obtain a letter from the County-Assessed Properties Division, the organization's sales will be subject to sales tax until the date they actually qualify for exemption. In the absence of proof of qualification for property tax exemption under section 214, the organization must understand that if the property tax exemption is denied at the regular filing time, they will be required to pay the tax and interest on sales retroactive to their starting date.

Conditions (2) and (3) are fulfilled if the primary purpose of the organization is to relieve poverty and distress and to aid purchasers by selling its property at reduced prices so as to be of real assistance to the purchasers. Incidental sales to persons other than indigents will not preclude the organization from receiving the benefits of an exempt organization.

Condition (4) is fulfilled when the property is picked up at various locations and brought together (assembled) at one or more locations for purposes of sale, even though nothing further remains to be done to the property to place it in salable condition. Property is deemed "prepared" when it is made ready for sale by such processes as cleaning, repairing, or reconditioning. The fact that an organization otherwise fulfilling condition (4) occasionally makes sales of new merchandise incidental to its principal activities will not result in tax liability on account of such incidental sales.

Any organization requesting a sales or use tax exemption should do so by letter as outlined in Publication 18. Exemption requests should be sent to the Compliance Policy Unit (CPU).

**TAX EXEMPTION FOR NONPROFIT ORGANIZATIONS DISTRIBUTING
NEW CHILDREN'S CLOTHING WITHOUT CHARGE**

255.051

Nonprofit organizations meeting certain criteria are exempt from payment of state, local, and district sales and use taxes imposed on the sale, use, or other consumption of new children's clothing which is distributed without charge to elementary school children. For the purpose of this exemption, nonprofit organization means an organization that meets the following criteria:

1. Is organized and operated for charitable purposes
2. Has exemption status under RTC section 23701(d)
3. Is engaged in the relief of poverty and distress
4. Distributes new children's clothing principally as a matter of assistance to recipients in distressed financial conditions

The CDTFA is responsible for providing a means of identification to exempt nonprofit organizations. For this purpose, a tax exemption letter signed by the supervisor of CPU will be sent to qualifying organizations. This tax exemption letter, when presented at the time of purchase, will permit purchases to be made without payment of sales or use tax.

Procedure for Obtaining a Tax Exemption Letter

Any nonprofit organization requesting an exemption should do so in letter form. Field offices receiving exemption requests should forward them to the CPU.

CPU will determine the eligibility of each applicant, and an exemption letter will be sent to those who qualify. The exemption letter is valid until revoked.

CPU is responsible for ensuring that each exempt nonprofit organization continues to meet the exemption criteria. CDTFA records of organizations issued tax exemption letters will be reviewed each year to determine if the exemption should be revoked.

Information regarding any tax exemption issued may be obtained by a telephone call or letter to CPU.

Refunds

Refunds of tax paid prior to receipt of the tax exemption letter should be obtained from the vendor. Vendors should be advised to file claims for such refunds with the Audit Determination and Refund Section.

EXEMPT YOUTH ORGANIZATIONS**255.052**

RTC section 6361 provides consumer status to any youth group sponsored by or affiliated with a qualified educational institution including, but not limited to, any student activity club, athletic group, or musical group provided the sales of food products, nonalcoholic beverages, and tangible personal property made or produced by their members are made on an irregular or intermittent basis and the profits are used exclusively in the furtherance of the purpose of the organization.

Section 6361.1 grants consumer status to organizations not specifically named in section 6361 or sponsored by or affiliated with a qualified education institution which (1) qualify for tax exempt status under section 501(c) of the Internal Revenue Code, (2) provide a supervised program of competitive sports or good citizenship for youth, and (3) do not discriminate on the basis of race, sex, nationality, or religion.

A qualified education institution is defined as:

1. Any public elementary, secondary, or vocational/technical school providing education for kindergarten, grades 1 to 12, inclusive, and college or university undergraduate programs, or any part thereof, operated by any state or local government.
2. Any nonprofit private educational institution providing education for kindergarten, grades 1 to 12, inclusive, and college undergraduate programs, or any part thereof, that meets the requirements of the State Department of Education for a school. "Private educational institution" means any entity providing education which satisfies the requirements of state and local laws pertaining to private educational institutions in effect on January 1, 1990, and which does not discriminate on the basis of race, sex, nationality, or religion.

Irregular or intermittent is defined as associated directly with a particular event, such as fairs, galas, parades, scout-a-ramas, games and similar activities that are not conducted on a regularly scheduled basis. That term includes refreshment stands or booths that are utilized at scheduled events of organized sports leagues, but does not include storefront or mobile retail outlets that ordinarily require local business licenses.

Presently, Little League, Bobby Sox, Boy Scouts, Cub Scouts, Girl Scouts, Campfire Inc., Young Men's Christian Association, Young Women's Christian Association, Future Farmers of America, Future Homemakers of America, 4-H Clubs, Distributive Education Clubs of America, Future Business Leaders of America, Vocational Industrial Clubs of America, Collegiate Young Farmers, Boy's Clubs, Girl's Clubs, American Youth Soccer Organization, the California Youth Soccer Association North, the California Youth Soccer Association South, Pop Warner Football, and the Special Olympics, Inc., are youth organizations considered consumers under section 6361. Other youth organizations which qualify for tax-exempt status under section 501(c) of the Internal Revenue Code, provide a supervised program of competitive sports or good citizenship for youth, and do not discriminate on the basis of race, sex, nationality, or religion may request consumer status. All questions regarding consumer status for youth groups should be directed to CTS.

Inquiries about consumer status from youth groups should be answered with an explanation of the provisions of section 6361. Organizations continuing to make sales of non-consumer status items in sufficient size and scope may still need a seller's permit for those items.

School sponsored or affiliated organizations holding a seller's permit and selling only food products, nonalcoholic beverages, and tangible personal property made or produced by their members should be directed to call their local CDTFA office to close out their permits. A close-out audit should not be recommended.

**SALES OF FOOD PRODUCTS BY BLIND OPERATORS LICENSED
BY THE DEPARTMENT OF REHABILITATION**

255.055

Blind operators of cafeterias where the food is “furnished, prepared or served for consumption at tables, chairs, or counters, or from trays, glasses, dishes, or other tableware whether provided by the state agency or by the Department of Rehabilitation” will be required to have a seller’s permit and the blind operator will report and pay the tax.

SALES OF FOOD PRODUCTS WHERE ADMISSION IS CHARGED

255.056

Generally, sellers of food products where admission is charged are required to hold a seller’s permit. Tax applies to the sale of food products that are sold within a place where admission is charged and the food is for consumption at that place.

When a seller of food products inquires if they need a permit, staff should determine whether the food products are sold in a place where admission is charged and if the food products are sold in a form suitable for immediate consumption.

Examples of items not considered suitable for immediate consumption include:

- A cold party tray, a whole cold chicken, or an unbaked pizza
- Pieces of candy sold in bulk quantities of one pound or greater
- A whole pie, a quart of milk, or a quart of ice cream
- Canned jams, cake mixes, and spices

If the products sold in a place where admission is charged and are in a form suitable for immediate consumption, a seller’s permit is required. Tax applies to all sales of hot prepared food products regardless if it is for immediate consumption unless otherwise exempt; refer to Regulation 1603 for additional information.

TEMPORARY RETAIL PERMIT (LIQUOR LICENSE)

255.060

The Department of Alcoholic Beverage Control (ABC) issues a temporary retail liquor license for a \$100 fee when specific conditions are met. The temporary liquor license shall be issued for a period not to exceed 120 days.

The fee cannot be applied to any sales or use tax liability owed by the person who paid the fee.

Applicants for a temporary retail liquor license must obtain a seller’s permit.

Should the owner of a permanent liquor license begin the transfer process to a potential buyer and for some reason the transfer does not occur, the owner can be held liable if the potential buyer operated the business under a “management agreement”. Under a “management agreement” the ownership does not actually transfer. The liquor license of the business stays in the transferor’s name and ABC qualifies the manager since that person is responsible for day-to-day operations. ABC holds the owner responsible for the actions of its manager.

CANNABIS SELLERS**255.063**

A sale occurs when the transfer of cannabis and cannabis products are made for consideration, regardless of whether the seller is an individual, corporation, LLC, cooperative, association, collective, or any other organization. Sellers of cannabis and cannabis products are required to register for a seller's permit.

Sales of cannabis and cannabis products are generally subject to sales and use tax, as well as the cannabis excise tax. The sales and use tax applies to the gross receipts of the retail sale of cannabis and cannabis products. Gross receipts include the cannabis excise tax. The seller must provide their customer an invoice, receipt or other document that contains the statement: "The cannabis excise taxes are included in the total amount of this invoice." The cannabis excise tax is imposed on the purchaser, collected by the cannabis retailer, and paid to the licensed cannabis distributor. The cannabis distributor reports and remits the cannabis excise tax to CDTFA. The cannabis excise tax is not reported on the sales and use tax return. See CPPM section 295.130 for information regarding cannabis distributors.

Account Characteristic Code (ACC) 46 is added automatically when an account is registered online, and should be added for existing accounts selling cannabis or cannabis products.

Cannabis Certification Letter

Only cannabis businesses that do not make sales (i.e. testing facilities and distributors which only provide transportation services) are not required to obtain a seller's permit. The California Bureau of Cannabis Control requires all license applicants to either have a seller's permit or a letter from the CDTFA verifying that a seller's permit is not required in order for the applicants to obtain their commercial cannabis licenses.

Online registration for cannabis businesses requests information to determine whether the business makes sales of tangible personal property, including cannabis or cannabis products. If the business does not sell tangible personal property, they will be directed to request a certification letter from the CDTFA by emailing CDTFA.Cannabis.Reg@cdtfa.ca.gov and providing the following information:

- Owner name and DBA
- Business address
- Contact name and phone number
- Description of the business activities

The Audit and Information Section (AIS) will review the incoming email requests and respond by providing a CDTFA-557, Certification: Seller's Permit Not Required, when appropriate. The certification letter will be valid as long as the business receiving the letter does not make sales of tangible personal property. AIS will maintain a log of the certification letters issued.

MEDICAL CANNABIS SELLERS**255.065**

Certain sales of medicinal cannabis are exempt from the sales and use tax. The sales and use tax exemption applies to the retail sales of medicinal cannabis, medicinal cannabis concentrate, edible medicinal cannabis products, or topical medicinal cannabis as those terms are defined in the Business and Professions Code section 26001. To obtain the exemption, qualified patients or their primary caregiver must furnish

- Valid Medical Marijuana Identification Card (MMIC) issued by the California Department of Public Health, and
- Valid government issued identification card at the time of purchase.

Sellers must maintain the purchaser's nine-digit identification number and expiration date as shown on the unexpired MMIC, and the related sales invoice or other original record of sale. Sellers may verify the validity of the MMIC number on the California Department of Public Health's website. Other marijuana or cannabis cards or recommendations from physicians are not sufficient to qualify for the tax exemption.

Sales of "edibles" such as brownies, cookies, gummies, etc. containing cannabis do not qualify as "food products" and are subject to sales and use tax, unless the sale is an exempt sale of medicinal cannabis as described above. In addition, if the seller provides samples of any cannabis product free of charge, the seller must report and remit use tax measured by the cost of the cannabis or cannabis products.

The retail sale of seeds and plants are subject to sales and use tax. As provided in Regulation 1588, *Seeds, Plants and Fertilizer*, sales and use tax does not apply to sales of seeds, annual plants, and non-annual plants when the products grown from them will be resold as part of the purchaser's regular business activities. The purchaser must provide the seller with a valid and timely resale certificate to support that the seeds and/or plants are purchased for resale.

CERTIFICATE OF REGISTRATION – LENDER**255.070**

A "lender" for purposes of this section is generally defined as a person who purchased or contractually obtained an account receivable without recourse directly from a retailer who reported and paid the tax. "Without recourse" means the retailer has no obligation to reimburse the lender even if the lender cannot recover the full amount of the debt owed by a consumer who financed the purchase of tangible personal property from the retailer. Further, for the lender to claim a deduction or refund, the lender and the retailer must make a qualifying written election designating the lender as the person entitled to claim a bad debt deduction or file a claim for refund for those losses.

Only a person registered with the California Department of Tax and Fee Administration (CDTFA) as a lender may claim a deduction or refund for bad debt losses on purchased accounts. The lender must generally register electronically through the CDTFA website and must do so without regard to whether the lender is already registered with the CDTFA for another purpose. For example, a lender who holds a seller's permit must nevertheless register as a lender to claim a deduction or refund as a lender.

When registration is completed by the lender, the Taxable Activity Type (TAT) "SL" will be assigned to a lender who is not currently registered with the CDTFA. A lender who currently holds a seller's permit will retain its current TAT (e.g., SR, SY). To identify the account as a lender, the registration system will create an assignment for staff to add an Account Characteristic Code (ACC) of "20" to the existing account. Staff should enter comments in the TAR screen in IRIS concerning the status of the lender's application and indicate any reason for delay. Once the application is processed, staff will forward the application and supporting documentation (if any) to the Taxpayer Records Unit (TRU).

REGISTRATION

CERTIFICATE OF REGISTRATION – LENDER

(CONT.1) 255.070

In the event the online registration system is unavailable and the lender is unable to wait for the system to become available, the lender must complete an application for a *California Certificate of Registration - Lender* (CDTFA -400-CSL). The field office will process the completed application and issue a CDTFA -442-L, *Certificate of Registration – Lender*. The field office will assign a TAT code SL to a lender who is not currently registered with the CDTFA and will assign an ACC of 20 if the lender has an existing account. If a paper application is processed, the field office will forward the application and supporting documentation (if any) to the TRU.

Although the lender may have been operating prior to registering for a Certificate of Registration – Lender, permits are not to be issued with a start date beyond the three-year statute of limitations for filing a claim for refund, unless a valid waiver of limitation has been executed and is on file for prior periods.

After registering as a lender, the lender is required to file periodic returns (generally quarterly) even if it will report no tax and claim no deductible losses. Lenders may not file their returns online. This includes all SL accounts and all other accounts designated with ACC 20. Therefore, periodic paper returns, including a CDTFA -531-L, *Schedule L*, and CDTFA -531-F-1, *Listing of City and Unincorporated County Codes for CDTFA -531-F, Schedule F and CDTFA -531-L, Schedule L*, will be mailed to the lenders. The lenders will use the Schedule L to make adjustments to the local or district tax associated with the bad debt deduction for the jurisdiction that originally received that tax from the retail sale of the financed property. Failure to claim a deduction for bad debts on a periodic return may constitute carelessness and result in the disallowance of any applicable credit interest on a refund.

Mail Services, Data Entry, and Verification Units receive and process the sales and use tax returns, along with the Schedule L, in accordance with established policy and procedures. Once processed, the returns and schedules will be forwarded to the appropriate section based on batch types, IRIS edit messages, or both.

The Cashier Unit receives the presorted returns from the Mail Services Unit. The batch type for SL accounts is “S.” The batch type for sellers who are also lenders will remain the same as the current batch type according to their registered TAT information. During the sort process, those returns with a subsidiary Schedule L attached will be batched into miscellaneous batches. Cashier staff will process the returns in accordance with established policy and procedures. The processed batches will then be forwarded to the Data Entry Unit.

The Return Analysis Unit (RAU) is responsible for identifying taxpayers who have claimed the lender bad debt deduction on their returns to ensure such persons hold a Certificate of Registration – Lender, or are designated with ACC 20. When the taxpayer is not registered as a lender but claims a deduction for lender bad debt loss when filing a return or files a Schedule L with its return, RAU will contact the taxpayer to advise them the deduction is not allowable since the taxpayer is not registered as a lender entitled to the deduction. RAU will advise the taxpayer to register electronically on the CDTFA website and apply for a Certificate of Registration - Lender, and file a Schedule L (if one was not received with the return). RAU will specify a reasonable amount of time in which the taxpayer must respond. If no response is received by the time specified, RAU will disallow the deduction. Lender returns which contain a bad debt deduction under Regulation 1642, but which do not result in a new credit return, will be forwarded to RAU. Lender returns resulting in a credit will be forwarded to the Audit Determination and Refunds Section (ADRS) for further analysis and processing.

The Local Revenue Branch (LRB) will receive all scheduled type return batches for processing, including those with the Schedule L, for the adjustment of local and district taxes based on bad debt deductions. A taxpayer who is not registered as a lender will be identified by an IRIS edit. On returns so identified, LRB will not key the adjustments of local tax reported on the Schedule L. Those returns will be forwarded to RAU for review and further processing.

Lender returns resulting in a credit are routed to LRB for processing of the Schedule L, and thereafter forwarded to the ADRS for analysis and processing. Upon receiving a claim for refund or net credit return, ADRS will send an acknowledgment letter to the claimant filing the claim for refund or net credit return. Lender returns which contain a bad debt deduction under Regulation 1642 but which do not result in a new credit return will be worked by the RAU.

For additional information, please see Audit Manual section 0419.17, *Bad Debts Incurred by Lenders on Purchased Accounts Receivable*.

CLASSIFIED SELLERS**260.000****OVERVIEW****260.005**

Classified sellers are single outlet sales tax accounts, but due to the nature of business, require special allocation of local taxes by the CDTFA. The CDTFA has determined that classified sellers with local tax amounts less than \$600 per year do not require special schedules or tax returns to be prepared by the taxpayer. (Local tax is 1% of taxable sales, therefore 1% of \$60,000 in taxable sales is \$600.) Local taxes are distributed using a mathematical formula. Examples of classified sellers might include construction contractors, mobile auto repair facilities, vending machine owners, door to door sales, and persons who regularly conduct business in various temporary locations.

Classified seller's permits are coded SR, with the third through fifth digits of the area code ending in "999". "999" codes flag the account for further distribution of local taxes. For example, a classified seller in Ventura County would have an area code of 56-999-000-0000.

ITINERANT VENDORS (TRAVELING PERMITS)**260.010**

Persons who maintain no permanent place of business but carry their merchandise with them or solicit orders door to door are considered "itinerant." Examples of itinerant vendors (sellers) might include lunch truck operators, retailers of service station supplies, or persons who travel from town to town selling where they can. Sellers should have the permit in their possession whenever making sales. (For temporary operations, see CPPM section 250.000.)

Exemption for Itinerant Veteran Vendors

RTC section 6018.3 provides that a qualified itinerant veteran vendor is the consumer of, and not the retailer of, tangible personal property owned and sold by the qualified vendor, except alcoholic beverages or items sold for more than one hundred dollars (\$100). Qualified itinerant veteran vendors are not retailers and therefore do not need a seller's permit for such sales. To qualify under this section, all of the following conditions must be present:

- The person was a member of the Armed Forces of the United States, who received an honorable discharge or a release from active duty under honorable conditions; and
- The person is unable to obtain a livelihood by manual labor due to a service-connected disability; and
- The person makes such sales as a sole proprietor with no employees; and
- The person has no permanent place of business in this state

Coding Itinerant Vendors

Itinerant vendors are treated much like vending machine operators. (See CPPM section 265.040.)

- If all, or substantially all, sales are made in one county, regardless of local tax revenue involved, code the account SR and assign a countywide area code (XX-999).
- If the local tax is more than \$600, and significant amounts of tax are generated in more than one county, code the account SR S and assign the countywide area code (XX-999 XXX XXXX) for the location of books and records.
- Accounts located in fringe areas and out-of-state, regardless of volume, will have TAT SR S assigned, and will use an area code of 59-999 000 0000. This procedure applies only to these specific conditions.

The above criteria for determining TAT and tax area code will be applied to new accounts at the time of registration and to existing accounts as they are encountered during routine audit or compliance activities.

ITINERANT VENDORS (TRAVELING PERMITS)

(CONT.) 260.010

Mailing and Business Address

- The mailing address for a traveling permit holder should be one through which mail will always reach the taxpayer. This address should also be one at which the person may be contacted or at which someone will accept messages or know the person’s itinerary.
- A post office box or mail drop location is not acceptable as a business address for in-state accounts, but may be used for out-of-state accounts.
- The field office in whose administrative area the permanent mailing address of the seller is located is responsible for all audit and compliance functions of this type of account.

CDTFA –291, *Information on Sales Made from Temporary or Traveling Location*

To assist in controlling itinerant accounts, staff will prepare a CDTFA–291, *Information on Sales Made from Temporary or Traveling Location*, for each traveling permit examined when checking fairs, carnivals, or other places where traveling sellers usually operate. After preparation and verification, the CDTFA–291 is forwarded to the office responsible for the account.

The CDTFA –291 is an excellent and effective tool for maintaining a high profile compliance image. Legitimate sellers almost always welcome permit checks that reassure them the CDTFA wants all sellers treated equally. When preparing the CDTFA –291, the following steps are recommended:

- a. Check the taxpayer’s account on the registration system as soon as possible.
- b. Contact the office of control immediately if a problem is detected with the account.
- c. With permission from the office of control, attempt to clear any problems and bring the account into compliance with the law.

These steps are necessary because many taxpayers have moved on by the time the CDTFA 291 is received by the office of control.

Upon receipt of the CDTFA –291, staff verifies that the permit is valid, and if a file exists, files the form for future reference in the account folder. When no file exists, the form should be sent to the Taxpayer Records Unit for filing. Use the registration system to make a comment concerning the contents of the CDTFA –291. If the permit is not valid, immediate action is taken to properly register the seller. All field offices are to cooperate fully when requested by another office to aid in bringing an account into compliance with the law.

CONTRACTORS

260.020

General contractors or subcontractors who make improvements to real property and make sales of fixtures are required to hold a seller’s permit.

Only those accounts reporting more than \$600 in local tax a year are required to allocate the tax to counties. These accounts are assigned the TAT SR S as part of their account number to provide for mailing of the special schedule to assure that proper allocation of local tax is made.

Those accounts reporting \$600 local tax a year or less are assigned the TAT SR as part of their account number and a countywide area code (XX–999 XXX XXXX).

Local Tax Allocation by Construction Contractors

Regulation 1806 provides that the jobsite is regarded as a place of business of a construction contractor or subcontractor and is the place of sale of “fixtures” furnished and installed by contractors or subcontractors. The place of use for the consumption of “materials” is the jobsite.

REGISTRATION

CONTRACTORS

(CONT.) 260.020

Since its inception, local tax generated by the sale or use of tangible personal property at construction sites has been added to the countywide unallocated pool as the most practical method for allocating tax to each jurisdiction.

The Board of Equalization passed a resolution, effective January 1, 1995, which allows local tax from construction contractors to be allocated to the local jurisdiction of the specific construction jobsite. This is accomplished by a contractor or sub-contractor electing to obtain a sub-permit for the jobsite. The contracts or sub-contracts that are for \$5,000,000 (5 million dollars) or more are eligible for this election. This qualifying contract price applies to each contract or sub-contract for work performed at the jobsite, and not to the total value of the prime contract.

The object of the resolution is to allocate local tax to the local jurisdiction where the jobsite is located. Registration area coding must be for the jobsite even if the project address is in another jurisdiction. Likewise, coding for a sub-jobsite of the prime project, even if the prime project location is in another jurisdiction, must be for the sub-jobsite location.

Conditions of the sub-permit

- If the contractor elects to obtain a sub-permit for a jobsite, the sub-permit account indicator BC-IND should be marked with a Y.
- The estimated completion date of the contract is to be obtained at the time of registration. The sub-permit shall be closed-out immediately after the sub-permit is registered using a future close-out date of the estimated completion date of the contract, plus six months.
- The contractor's election to obtain a sub-permit for a jobsite is irrevocable and the sub-permit may not be cancelled or closed-out for the life of the construction contract.
- The sub-permit is subject to revocation action as provided by the Sales and Use Tax Law.
- Permits should not to be issued to contractors who only install materials purchased in-state and are not normally retailers of materials. The resolution does not allow contractors to purchase tangible personal property for resale, including materials, which they will consume at the jobsite.
- Contractors may not purchase machinery and equipment to be used on the construction job without payment of sales tax in order to allocate the use tax to the specific jobsite.
- Regarding machinery and equipment sold by the contractor as part of the contract, local tax should continue to be allocated to the contractor's permanent place of business where the principal negotiations take place in accordance with Regulation 1802.
- Per Regulation 1806, local tax must still be allocated countywide for jobsites which have contracts of \$5,000,000 or more where the contractor has elected not to obtain a sub-permit. However, if the election is made, no local tax will be reallocated for periods prior to the reporting period for the start date of the sub-permit. Sub-permits cannot be backdated.
- No documentation of the \$5,000,000 contract price or value of work remaining is required to issue a sub-permit for a jobsite unless the value of the work appears to be substantially less than \$5,000,000.

Explanation of Allocation Elections

Construction contractors may elect to allocate local tax to a specific jurisdiction when filing returns by obtaining a sub-permit for a specific jobsite. If this election is not made, local tax will be allocated in the usual manner. CDTFA staff should not stress one election over the other.

SPECIAL SELLERS

265.000

OVERVIEW

265.005

Special Sellers are accounts with tax volumes sufficiently large or operations geographically diverse enough to require additional steps during return processing. Local tax must be allocated to cities and counties first by determining where sales actually occurred, then, for sales made from traveling or itinerant locations or where point of sale cannot efficiently be pinpointed, allocation is performed on a statistical basis.

PERSONS QUALIFYING AS RETAILERS UNDER RTC SECTION 6015

265.010

For efficient administration of the law, the CDTFA may declare certain sellers, wholesalers or distributors as retailers of their products even though they sell to salespersons, representatives or canvassers for resale to consumers. This is done so each of the salesmen, representatives or canvassers is not individually required to hold a seller's permit. Even though the wholesaler or distributor may or may not desire to be considered a retailer under RTC section 6015, the final decision in these matters rests with the CDTFA.

In order to assist the CDTFA, whenever a person indicates a desire or need to operate under section 6015, he/she should be instructed to submit a request in writing to the office of control for the account.

The office of control should submit a complete report with a recommendation to approve or deny placement of the account on section 6015 status. The report will be addressed to the Compliance Policy Unit (CPU). When the request originates with the taxpayer, the letter of request should be attached to the report, and should contain the following information:

- Name of taxpayer.
- Principal place of business.
- Place of sale (see CPPM section 265.025).
- Account number.
- Products sold and manner of operation.
- Territory covered.
- Number of outlets or salespersons.
- Financial stability and security status (profit and loss statement).
- Estimated annual sales volume.
- Adequacy of records and their location.
- Name, address, and account numbers of all representatives. If the 6015 requester is a large, established distributor/wholesaler, a random sample will be adequate.
- Copy of the agreement/contract with distributors.

Two additional factors to be taken into account when the reports and recommendations are being completed and reviewed are:

1. To what extent does the wholesaler maintain control over the representatives?
 Is the representative handling only the product line of the 6015 requester?
 Is there a working contract?
 Product flow?
 Will all the representatives' sales be at retail?
2. If approved, could there be an excess tax reimbursement situation?
 Review product sold ultimate retailer/consumer, and taxable/nontaxable sales.

REGISTRATION

PERSONS QUALIFYING AS RETAILERS UNDER RTC SECTION 6015

(CONT.) 265.010

The report and taxpayer's request are reviewed by CPU and directed to the Tax Policy Bureau Chief for approval. After approval by the Tax Policy Bureau Chief, CPU will send letters to the retailers notifying them of the disposition of their request. A copy of the taxpayer's notification will be sent to the office of control to make corrections to the account record, if applicable.

CPU will maintain a file on all approved section 6015 Retailers. CPU also enters the 6015 information in the registration system for the account record. A list of 6015 retailers can also be found on eBOE on the Tax Policy Bureau page. Click on the Compliance tab under the Quick Links.

RESCISSION OF APPROVAL TO OPERATE UNDER RTC SECTION 6015

265.020

If a request is made by the taxpayer to be removed from the status of a retailer under RTC section 6015, or staff determines that the taxpayer's operations have materially changed and are no longer compatible with section 6015, the procedure is as follows:

1. The office of control will submit a complete report with a recommendation to terminate authorization of the seller to operate under RTC section 6015. The report will include:
 - a. The name, address and account number of the seller,
 - b. A list showing the name and address of former agents and representatives, and
 - c. The reason(s) for the recommendation.
2. When the request has originated with the taxpayer, a copy of the taxpayer's letter of request together with the list of agents should be attached to the report. The report will be sent to CPU.

The report and taxpayer's request will be reviewed by CPU and directed to the Tax Policy Bureau Chief for approval. After approval by the Tax Policy Bureau Chief, CPU will send letters to the retailers notifying them of the disposition of their request. A copy of the taxpayer's notification will be sent to the office of control to make corrections to the account record, if applicable.

CODING FOR RETAILERS UNDER RTC SECTION 6015

265.025

Changes to the section 6015 program became effective July 1, 1990, and special coding to reflect itinerant status of retail salespersons, canvassers and agents was rescinded. Regulation 1802 was amended at the same time.

- RTC section 6015 sellers with a single in-state location will be assigned TAT SR, and the tax area code will be that of the business location of the retailer, regardless of where door to door solicitations of orders occur.
- The regulation provides that the "place of sale" shall be the business location, other than doortodoor solicitations of orders, where principal negotiations are conducted if more than one place of business participates in the sale.
- In the case of doortodoor sales, the customer does not negotiate with anyone other than the sales representative (i.e., no principal negotiations are conducted exclusive of doortodoor solicitation of orders). Therefore, in order to avoid confusion, simplify the requirements imposed upon retailers, establish certainty, and recognize the amount of services provided by local governments, the location from which the merchandise is shipped will be considered the business location which is the "place of sale" when the property is shipped from a location in California.
- If the retailer has a single business office in California but all merchandise is shipped from an out-of-state location, the location of the business office will be considered the "place of sale."

CODING FOR RETAILERS UNDER SECTION 6015

(CONT.) 265.025

- If the retailer has more than one business office in California, but all merchandise is shipped from an out-of-state location, the business office in California which receives the order for merchandise and/or directs the activities of the sales representatives who make the sales will be considered the “place of sale”.
- If the retailer has neither a business office nor a location from which merchandise is shipped in California, sales will continue to be allocated to the county of use, which is considered to be the county in which the sales representative operates.

Transaction Taxes

Changes to Regulation 1802 have no effect on the reporting requirements for the Transaction (Sales) and Use Tax. RTC section 6015 retailers will continue to report and pay transactions (sales) and use taxes on sales made within districts (See CPPM section 215.030). Likewise, they must collect and remit use tax when property is sold or leased for use in the district, if the property is shipped into or leased for use in the district, or the retailer or his/her representatives has participated within the district in making the sale.

Section 6015 Decision Table

Condition	A	B	C	D	E	F
Taxpayer has one distribution location in California	Y					
Taxpayer has both in-state and out-of-state distribution locations from which sales to in-state distribution/salespersons are made		Y				Y
Taxpayer has NO in-state distribution locations			Y			
Taxpayer has more than one distribution center. All distribution centers are located in the SAME local tax jurisdiction					Y	
Taxpayer has more than one distribution center in MORE THAN ONE local tax jurisdiction				Y		Y

Action	A	B	C	D	E	F
Assign Taxable Activity Type "SR"	X	X				
Assign Taxable Activity Type "SR S"			X			
Assign Taxable Activity Type "SR X"					X	
Assign Taxable Activity Type "SR Y"				X		X
Use area code of in-state warehouse or distribution point	X	X			X	
Use area code "59-999"			X			
City portion of code "000"				X		
Retailer reports local tax to in-state jurisdiction of California location from which property is shipped.	X	X		X	X	X
Retailer allocates local tax to county in which agents operate. Allocation is made on schedule B of tax return.			X			
Retailer allocates local tax on property shipped from out-of-state to in-state office which receives order or directs activities of agents.		X				X

LEGEND: Y = YES N = NO X = ACTIONS TO TAKE

AUCTIONEERS, OUT-OF-STATE RETAILERS, AND PURCHASERS**265.030**

The Auctioneer and Auction Licensing Act, commencing with Section 5700 of the Business and Professions Code, provides that the applicant for an auctioneer's license must show proof that the auctioneer or the auctioneer's employer holds a valid seller's permit issued by the CDTFA, if applicable.

Persons making sales at auction, either at a permanent place of business or on the premises of their clients, whether of their own merchandise or that of their clients, must report and pay the tax due on their returns filed under their own permit numbers. Auctioneers who have a permit for a permanent place of business are not required to secure separate permits for each sale they conduct away from the permanent site. If, however, sales at other locations will extend over a period of more than 30 days, a separate permit or sub-permit should be issued to that site.

Following are some basic rules to determine whether or not the account qualifies as a special seller with the TAT SR S:

- Auctioneers who regularly conduct auctions at places other than their permanent place of business are assigned the TAT SR S.
- Auctioneers who regularly conduct auctions at places other than their permanent place of business, and those sales extend over a period exceeding 30 days will be assigned a consolidated account with TAT SR Z and separate sub-permits for each sales location.
- Auctioneers who occasionally hold auctions at other than their permanent place of business and who report local tax of \$600 a year or less are not required to provide a county breakdown of the local tax and are assigned the TAT SR.
- Auctioneers who conduct sales of thoroughbred horses at race tracks on a recurrent basis will be issued a permit for the race track location coded to the taxing jurisdiction in which the race track is located with TAT SR unless a consolidated permit would be more appropriate.

Local Sales and Use Tax Allocation for Transactions Over \$500,000

Regulation 1802, *Place of Sale and Use for Purposes of Bradley-Burns Uniform Local Sales and Use Taxes*, has been revised as it relates to the allocation of local sales tax for certain sales by auctioneers and to the allocation of local use tax for large sales transactions by out-of-state retailers and large purchases by permit holders.

- Auctioneers are required to allocate the local sales tax to the local jurisdiction of the auction site, for auction events with aggregate taxable sales of \$500,000 or more.
- Out-of-state retailers registered to collect sales and use tax, except TAT SC voluntary accounts, are required to report the local use tax to the local jurisdiction of the first functional use of the property for taxable transactions of \$500,000 or more when the order for the property is sent by the purchaser directly to the retailer's out-of-state location and the property is shipped directly to the purchaser in this state from a point outside this state.
- Permit holders who make a purchase of \$500,000 or more without payment of the sales or use tax to the vendor are required to allocate the local use tax to the local jurisdiction of the first functional use of the property.

AUCTIONEERS, OUT-OF-STATE RETAILERS, AND PURCHASERS

(CONT.) 265.030

Registration and Reporting Requirements

Auctioneers must allocate local sales tax for auction events with taxable sales in an aggregate amount of \$500,000 or more when they file their returns. For taxpayers who received an exemption from electronic filing, CDTFA-531, *Schedule B – Detailed Allocation by County of 1% Local Sales and Use Tax* will be used to allocate the local tax.

Purchasers and out-of-state retailers, as outlined above, are required to use CDTFA-531-F, *Schedule F – Detailed Allocation by City of 1% Local Sales and Use Tax*, to allocate the local use tax to the local jurisdiction of the first functional use of the property. Functional use means use for the purposes for which the property was designed. Location of first functional use should be documented unless it is the place of delivery. Sellers and purchasers who meet the \$500,000 criteria should be coded with ACC 12 in the registration system.

Auctioneers, sellers and purchasers who do not meet the \$500,000 criteria will continue to allocate the local use tax to the county place of sale when filing electronically, or by using Schedule B when filing paper returns. Therefore, it may be necessary for certain auctioneers, sellers and purchasers to use two different schedules to allocate local tax.

VENDING MACHINE OPERATORS

265.040

Considered Consumers

- Any vending machine operator is a consumer of, and shall not be considered a retailer of, food products that sell at retail for 25 cents or less and which are actually sold through a vending machine.
- Nonprofit PTA and equivalent organizations and nonprofit library support organizations are consumers of all tangible personal property sold through a vending machine, regardless of price.
- Library districts, municipal or county libraries and their contracted vendors are consumers of photocopies sold through coinoperated copy machines located at a library facility, regardless of price.

Considered Sellers

- Any person other than the above who makes sales of taxable property through vending machines is required to hold a seller’s permit and report and pay tax on the gross receipts of sales made through the machines.
- One permit is sufficient for all the machines of one operator; however, each of the permit holder’s machines must be labeled to reflect the operator’s name, business address and seller’s permit number.
- It is presumed that sales of tangible personal property through vending machines are made on a tax-included basis.

Coding

- The TAT SR is assigned when the operator’s installations are all, or substantially all, located in one county irrespective of the volume of local tax revenue involved. These accounts are assigned the countywide area code for the county in which the operator’s place of business is located (first five digits end “999”).
- The TAT SR S is assigned when the operator is doing business on a large scale with significant amounts of tax generated in two or more counties. These accounts are assigned the area code for the place of business. (See CPPM section 230.030.)

REGISTRATION

RETAILERS ENGAGED IN INTERSTATE COMMERCE

265.045

In general terms, a sale in interstate commerce is one in which the goods are delivered from out-of-state inventory directly to the California consumer with title passing out of state. Such transactions are exempt from sales tax, but are subject to use tax due from the purchaser.

Even a sale that is negotiated at a California sales office may be a sale in interstate commerce if delivery is made from an out-of-state stock of goods and title to the goods passes out of state. If the retailer ships by means of a common carrier, title is presumed to pass upon delivery of the goods to the carrier (out-of-state) unless there is an explicit agreement to the contrary (see Regulation 1620).

Registered California retailers are required to collect the use tax due from their customers on interstate commerce sales and remit it to the CDTFA with their returns. These accounts are coded TAT SR S or SR Z when the local use tax exceeds \$600 per year. The local use tax must be allocated to the place of delivery.

SELLERS PURCHASING EX-TAX FOR USE AT LOCATIONS NOT REQUIRING A PERMIT

265.050

Sellers who have permits issued for their places of business but who make ex-tax purchases of tangible personal property out of state and make use of the tangible personal property at some location where no seller's permit is required are considered to be special sellers with the TAT SR S.

An example of such a seller would be a roofing contractor with a permit at his or her place of business for over-the-counter sales, but who makes purchases of shingles ex-tax from out of state and installs the shingles at various locations throughout the state, thus requiring a special allocation of the local tax.

VEHICLE DEALER ACCOUNTS – USED

265.053

Sellers of motor vehicles are required to hold a vehicle dealer's license issued by DMV. As a prerequisite to obtaining such a license, the dealer is required to hold an active seller's permit. Applicants will generally register online through the CDTFA website. If a seller's permit application is submitted by used car dealers for manual registration, the application must be provided to a Compliance Supervisor or his/her designee for review. Review of the applications is intended to ensure applicants provide complete information on the application, to identify when a transfer or change of ownership may be under questionable circumstances, and in some cases to determine whether a security deposit may be required.

Vehicle dealers must meet specific requirements in order to obtain a dealer's license. The requirements vary based on the type of license, (e.g., new car, used car, wholesale, broker). For example, new and used car dealers must have a physical selling location, including a sales office, display lot and signs. Although CDTFA staff should not attempt to administer the laws, regulations, and policies of DMV, having basic knowledge of DMV's licensing requirements may help identify questionable situations which may warrant further review by CDTFA. For example, instances where a taxpayer states on their seller's permit application that they will be selling used cars, but the selling location is a residence address and not a business address. Detailed information regarding dealer licensing requirements can be found on DMV's website at http://www.dmv.ca.gov/vehindustry/ol/ol_handbooks/ol248.pdf.

In addition to reviewing the application, compliance staff should generally make a field call as soon as possible after the taxpayer's business operations begin with the intent to determine the following items:

VEHICLE DEALER ACCOUNTS – USED

(CONT.) 265.053

1. Overall size of the business (e.g., the number of vehicles the business location can accommodate).
2. Number, type, and source(s) of vehicles in inventory (e.g., auction house, prior business owner).
3. Details regarding how the new owner obtained the business, especially if a prior business operated at the same location and that business has an existing or pending liability. A copy of the sale agreement should be reviewed.
4. Names/locations of finance companies used by the taxpayer to finance vehicles sold.

Pertinent information regarding the application review and field call must be documented in the system comments.

DMV Notification

The DMV should be notified in instances where CDTFA’s registration information for a taxpayer differs from that identified on the taxpayer’s vehicle dealer’s license and where CDTFA’s information has been confirmed to be correct. DMV should also be notified of all instances where a taxpayer no longer holds an active seller’s permit, but where the taxpayer’s vehicle dealer’s license remains active. Staff should send CDTFA-215, *DMV Referral, Dealer’s License Issue*, to notify DMV of any discrepancies. The completed letter must be reviewed and signed by an Administrator, Compliance Principal, or their designee. Approved letters must be forwarded to DMV’s Occupational Licensing Inspection Program Manager along with printouts of any pertinent registration screens.

VEHICLE LESSORS

265.055

Certain Vehicle Lessors

Certain vehicle lessors are required to allocate the local use tax collected on vehicle leases to the business location of the dealer from whom the lessor purchases the vehicle. Lessors required to allocate local use tax in this manner do so when electronically filing their sales and use tax return, or for paper filers by using CDTFA-531-F, *Schedule F – Detailed Allocation by City of 1% Local Sales and Use Tax* provided with their sales and use tax return.

Vehicle Lessor Registration

In order for vehicle lessors to receive a Schedule F they must have an ACC 9 in the registration system. Only those vehicle lessors that are required to file a Schedule F should have this ACC for Vehicle Lessors.

- Vehicle Lessors should have the TAT of either SR S or SR Z. SR Z is assigned to lessors who have multiple places of sale locations that are not all in the same local tax jurisdiction.
- The TAT SR or SR Y is assigned to new motor vehicle dealers who lease vehicles from their own inventory. Effective January 1, 1996, these dealer/lessors are no longer classified as special sellers and their place of business is the place of use for reporting the local use tax on leases of their own vehicles.

WINEGROWERS

265.060

Both in-state and out-of-state winegrowers who are authorized to sell and ship wine directly to California consumers are required to obtain a “wine direct shipper” permit from the Department of Alcoholic Beverage Control. In addition, these sellers must also register with the CDTFA and obtain a seller’s permit or Certificate of Registration – Use Tax, even if the out-of-state winegrower is not otherwise engaged in business in California pursuant to RTC section 6203.

REGISTRATION

WINEGROWERS

(CONT.) 265.060

The regular provisions of the Sales and Use Tax Law, Uniform Local Sales and Use Tax Law, and Transactions and Use Tax Law apply to winegrowers' direct sales of wine to consumers. If an out-of-state or in-state winegrower delivers the wine by common carrier inside a special tax district, generally the winegrower is not liable for the district tax. However, if the winegrower is engaged in business in the "shipped to" special district, it is required to collect the district use tax.

In addition, if the out-of-state winegrower's home state imposes a sales tax or other non qualifying tax on the winegrower rather than on the consumer, RTC section 6406 provides no relief for the out-of-state winegrower with respect to its use tax collection obligations in this state.

INDIAN RETAILERS

265.065

The state is precluded from imposing a tax on an Indian on a reservation. Therefore, sales made by an Indian retailer on a reservation are not subject to sales tax. If the transaction is not subject to the sales tax, the use tax generally applies. Although the state is precluded from imposing a tax on an Indian on a reservation, use tax is imposed on the customer, not on the Indian retailer. Furthermore, the state may impose a collection obligation upon an Indian retailer on a reservation. Therefore, except as noted below, an Indian retailer operating on an Indian reservation must register with the CDTFA if the Indian retailer is making sales to non-Indians or to Indians not residing on a reservation. In this situation, the Indian retailer should obtain a Certificate of Registration - Use Tax (TAT SC).

Note: A Certificate of Registration – Use Tax (TAT SC) is not required if an Indian retailer is only selling meals, food or beverages at eating and drinking establishments on the Indian reservation.

If the Indian retailer's business location is not on a reservation, the state may impose a tax on the Indian retailer. In this situation, sales tax applies to retail sales made by the Indian retailer and the Indian retailer should obtain a seller's permit (TAT SR).

SALES TAX ACCOUNTS WITH RECORDS OUT-OF-STATE 270.000

GENERAL 270.010

Persons who maintain a place or places of business in this state, but whose books and records necessary for audit are located out of state should be controlled by the out-of-state or fringe area offices where applicable. (See Business Taxes Code Book section 120.000 for fringe area coding guidelines). Persons remaining in California but using the services of an out-of-state accountant or bookkeeper should have an office of control based on their in-state location. In addition, an accountant's mailing code will be assigned if the conditions set forth in CPPM section 230.080 are satisfied.

Single outlet out-of-state accounts with a place of business in this state are assigned TAT SR, or if temporary, SR (ACC 1). For other coding in conjunction with out-of-state accounts see Business Taxes Code Book section 120.000 (See CPPM section 215.040 for Certificate of Registration — Use Tax guidelines.)

FIELD OFFICE REPORT ON OUT-OF-STATE ACCOUNTS 270.020

Information concerning the field office report on out-of-state accounts will be entered via the registration system. A field titled “Out of State” is at the bottom of the “Taxpayer Information Screen” (F10 info function key) of the registration system. Information to be entered in this field consists of information on records maintained at an out-of-state location and information on records maintained in California. Once information is entered in the “Out of State” field, a “greater than” sign will appear on the line next to the field title. The Out-of-State Office has responsibility for both audit and compliance functions and is the office of control except for fringe area accounts. (See CPPM section 270.080.)

Temporary accounts, TAT SR (ACC 1), do not require entering information in the “Out of State” field, however, the information in that field could be helpful at a later date.

PURPOSE OF THE REPORT ON OUT-OF-STATE ACCOUNTS 270.030

The primary purpose of the report on out-of-state accounts is to provide the Out-of-State Office audit staff with information not otherwise readily available. This screen is used as an aid in audit selection, and is also used by the out-of-state auditor in preparing to audit an account.

USE OF THE REPORT ON OUT-OF-STATE ACCOUNTS BY THE OUT-OF-STATE OFFICE 270.040

When the Out-of-State Office receives information that records of an active in-state account have been moved to an out-of-state location under the control of the taxpayer, they will make the proper entries in the “Out of State” field of the online registration system. The Out-of-State Office will initiate a transfer of the account to the Out-of-State Office.

If information is received that the records of an in-state business are no longer located out-of-state under the control of the taxpayer, staff obtaining that information should initiate a transfer to the in-state office of control via the online registration system.

SINGLE OUTLET OUT-OF-STATE ACCOUNTS 270.060

Sales and Use Tax Single Outlet Account

When the determination is made that the books and records sufficient for audit purposes are located out-of-state under the control of the taxpayer, use the “Warehouse or Single Outlet” decision table in section 120.005 of the Business Taxes Code Book as a guide to determine the proper TAT code, office code, and tax area code for single outlet accounts.

REGISTRATION

CONSOLIDATED OUT-OF-STATE ACCOUNTS

270.070

When the books and records sufficient for audit purposes are located out-of-state under the control of the taxpayer, use the “Fringe Area, Out-of-state Consolidated (Including Warehouses) Accounts” decision table in section 120.005 of the Business Taxes Code Book as a guide to determine the proper TAT code, office code, and tax area code for single outlet accounts.

FRINGE AREA ACCOUNTS

270.080

Accounts administered by the Field Operations Division that are held by taxpayers operating in “fringe areas” (areas adjacent to California), excluding the Mexico fringe areas, are the responsibility of the Western States Office (OH). Mexico fringe areas are generally the responsibility of the San Diego (FH) and El Centro (FHA) offices. For a list of Mexico fringe area towns and responsible offices, see Business Taxes Code Book section 120.125.

When the taxpayers’ customers are generally located within a single in-state county, the first five digits of the area code will be the out-of-state county code “59” followed by “999.”

Taxpayers that operate in California with a fringe area mailing address (not a consolidated account master location) are also the responsibility of the Western States Office.

PERMITS AND LICENSES**275.000****ISSUANCE OF PERMITS AND LICENSES (CDTFA-442)****275.010**

The CDTFA-442 series is the permit or license issued to the taxpayer at registration. When a taxpayer registers electronically, the permit or license can be printed by the taxpayer. In addition, the registration system allows any CDTFA office to complete the registration process and issue a permit for taxpayers who are unable to register electronically.

A permit in the possession of the taxpayer is physical evidence that the taxpayer has complied with the requirements of the law and can legally operate a business at a specific location. When the registration system is used, the proper permit is printed automatically at the end of the registration process. Permits can be printed on white paper. When the registration systems are unavailable, preparation of a permit should be one of the last steps performed in the registration process by staff that completes the permit or license form.

REGISTRATION PROCEDURES IN CASE OF SYSTEM FAILURE**275.035****Procedure to Be Used Only In Case Of Website and Registration System Failure**

The following procedures and work tools have been developed by the eServices Unit to ensure the registration programs under the California Department of Tax and Fee Administration (CDTFA) can continue to function when the system is not available.¹

The eServices unit has created two work tools: (1) A folder called “BTFD-Disaster Emergency Information,” which is located on the “Common (L:)” drive and, (2) A USB flash drive (also called a thumb drive) containing applications, permits, publications, and return files. Both of these tools contain the necessary documents, in a limited capacity, to continue CDTFA functions if the Emergency Preparedness Plan is implemented. Hereinafter, the “BTFD-Disaster Emergency Information” folder on the L: drive will be referred to as “Folder,” and the USB flash drive will be referred to as “Thumb Drive.”

Both the Folder and Thumb Drive contain the latest version of forms, returns, schedules, publications, and other registration documents in fillable form, in either Microsoft Word or Adobe pdf formats. Tax/feepayers should be advised to obtain relevant regulations and publications not contained in the Folder and Thumb Drive from the CDTFA website.

The contents of the Folder and Thumb Drive are **not** to be duplicated in any media such as CDs, portable hard drives, or be retained in the user’s hard drive once the system becomes available. **This is to prevent releasing outdated versions of the Folder or Thumb Drive contents.**

The contents of the Folder and Thumb Drive will be periodically revised. Staff will be notified of revisions to the Folder and will be provided with a revised Thumb Drive.

Maintenance of the Folder and Thumb Drive

The Folder and Thumb Drive will be maintained by the eServices Unit. Staff who would like to add, delete, or otherwise make changes to the Folder’s or Thumb Drive’s content should contact the Registration Specialist in the eServices Unit, MIC: 40.

Accessing and Using the Folder

Only authorized staff primarily responsible for registration have rights to access all the contents in the Folder when the system is unavailable.

¹ Registration procedures for the alcoholic beverage and insurance tax programs administered by the Board of Equalization are supported by the Program Administration Branch in the CDTFA.

REGISTRATION

REGISTRATION PROCEDURES IN CASE OF SYSTEM FAILURE

(CONT. 1) 275.035

Each Compliance Principal or their designee will be responsible for maintaining the list of authorized users. Requests to add or delete authorized users must be sent via email to the LAN Coordinator by the Compliance Principal or their designee. The LAN Coordinator will then provide the appropriate access to the Folder and sub-folders.

Using the Thumb Drive

Each Administrator and designated Office Supervisor with registration staff will be provided with one Thumb Drive and will be responsible for securing the Thumb Drive in a lockable storage area when not in use.

Authorized users are to install and use the contents of the Thumb Drive when the system is unavailable and the Business Resumption Plan has been activated. Contents of the Thumb Drive should not be installed on any authorized user's personal computer (PC) for any other purpose.

When an authorized user has completed the installation of the contents to their PC, he/she is to provide the Thumb Drive to another authorized user for installation and so on. *Note: The contents that are installed on each authorized user's PC are stored on their desktop temporarily until the system becomes available.*

Block of Manual Account Numbers

Staff will use the two-digit prefix account numbers (referred to as "block of manual account numbers") when the system is unavailable. The two-digit prefix denotes the office of control (e.g., prefix 21 - denotes the Oakland Office, 19 - denotes the San Francisco Office, etc.). These manual account numbers must be used in sequential order.

Offices performing registration should continue to issue a block of manual account numbers as they see fit. It is the responsibility of the office of control to keep track of the issued and unissued manual account numbers for their office locations. *Note: On occasion, the Registration Specialist in the eServices Unit may request the office of control to provide the last manual account number issued.*

When the office of control is close to reaching the end of their block of manual account numbers (e.g., 21-999950), a compliance supervisor designated by the Administrator will contact the supervisor of the Local Revenue Allocation Unit for a new block of manual sales and use tax account numbers.

The Program Administration Branch maintains a block of numbers for other tax and fee programs that may require immediate issuance of an account. Designated staff in the Registration and Licensing Section (RLS) and Motor Carrier Office (MCO) will have access to the blocks of numbers for the programs in their respective areas. These manual account numbers must be used in sequential order.

Processing Applications

Staff will handle and process applications as usual, verifying completeness of the application, validating proof of identification, and verifying that all other registration requirements have been met. Note: Since the system is unavailable, staff will not be able to create a TIN, or search if a TIN exists in CTS.

When the application completion is verified, staff will use the Thumb Drive's contents and manually issue the permit, welcome letter, returns (including schedules) and other registration material that are normally provided to an applicant at the time of registration. *Note: Staff should refer to CPPM 275.050 for the proper format to be used when typing a permit.*

If an office receives an application for an account under another office's control, the office that receives the application will process the application as usual. Staff can refer to CPPM section 295.020 for further details. When the application is verified complete, staff will issue a manual account number from their block and use the correct office identifier. For example, the Sacramento Office (KH) receives an application for a business whose office of control is the San Jose Office (GH), the Sacramento Office staff will use one of their block of manual account numbers and use GH for the office identifier (e.g., SR GH 28-99#####).

While the system is unavailable staff cannot record all the information given to the applicant in IRIS comments as required. Therefore, staff must document on the back of each application, in the shaded area indicated "For CDTFA Use Only," the Tax Information Package (TIP) 1 and any other forms, regulations, publications, and returns that were provided to the applicant. The documented information on the application will then be entered in comments at the account level once the system becomes available.

Returns and Schedules

If the system is unavailable, returns and schedules can be obtained using the Folder or Thumb Drive, and staff should provide them to the tax/feepayer as necessary. If the return is not past due or due in the immediate future, and the tax/feepayer is eligible to file electronically, staff should direct the tax/feepayer to file their return through the CDTFA website.

Staff should always ensure that the proper information (e.g., due date, reporting period, account number, taxpayer name and address) is typed on the return(s) as if the return(s) was generated from the system, and the accompanying schedules have been included before providing the tax/fee return package to the tax/feepayer.

Permit Verification

During the period the system is not available, it may be necessary to provide applicants, suppliers, and other interested parties, a written notice that the permit, license, or account being presented is valid, because new manually issued permits, licenses, or accounts will not be captured or available on the Permit, License, or Account Verification system on the CDTFA website. To accommodate this situation, CDTFA-400-SNS, Special Notice to Suppliers, was developed. This form is included in the Folder and Thumb Drive. When a permit is issued manually, the CDTFA-400-SNS should be provided to the taxpayer to be presented or shown to whoever requires verification of the permit's validity. RLS staff will send a letter indicating the permit, license, or account is valid for those accounts that allow verification (e.g., cigarette and tobacco products, eWaste, and underground storage tank.)

REGISTRATION

REGISTRATION PROCEDURES IN CASE OF SYSTEM FAILURE

(CONT. 3) 275.035

When the System Becomes Available

All accounts that were manually issued must be entered into the system as soon as the system becomes available. Staff must search if a TIN exists or generate a new TIN for the tax/feepayer, as well as any related entity (partner, president, member, etc.), and relate the TINs with one another, if applicable, in the system.

After inputting the applicant's information, it is possible to generate tax/fee returns, security requirements for cigarette and tobacco products, and other necessary forms from the system. Staff may bypass this process if the information has already been provided to the applicant when the system was unavailable. The information that was documented on the back of the each application, in the shaded area indicated "CDTFA Use Only," must be recorded in comments (F11). This information (e.g., forms, regulations, and publications) was provided to the applicant at the time a manual permit or certificate of registration was issued.

When the system becomes available, the Compliance Principal or designee should ensure all authorized users who installed the contents from the Thumb Drive to their desktop have deleted the contents, using the "uninstall" utility, from the drive where it was stored. When the contents are deleted from the authorized user's PC, he/she is to provide the Thumb Drive to another authorized user for uninstallation of the contents. The LAN Coordinators may assist authorized users with the uninstallation process. Retaining and using the contents of the Thumb Drive or Folder may result in providing the tax/feepayer with outdated forms containing inaccurate data or requirements.

REISSUANCE OR REPLACEMENT OF PERMITS AND LICENSES

275.040

Lost or mutilated permits or permits needing reissuance can be reprinted by taxpayers using their client login on the CDTFA website if they originally registered electronically. Requests for staff to replace the permit will be processed in accordance with CPPM section 320.000. Once the determination has been made to reissue or replace a permit, the registration system provides this opportunity through the print subsystem (TAR PM). Enter the account number and sub number, if applicable, and the registration system will automatically provide the proper permit.

PREPARATION OF PERMITS, LICENSE AND CERTIFICATES IN GENERAL 275.050

The registration system will provide the proper permit for the taxpayer to print at the end of the registration process. The following explanation and instructions are intended for use in the event a permit must be prepared by hand.

Permits, licenses and certificates have been designed to allow for seven lines of typing, 33 numeric or alpha characters per line using pica (10 characters per inch or 10 CPI) typewriter spacing. It will seldom be necessary, however, to use all seven lines provided. Corner marks are printed in the upper left and right corners to aid in determining the beginning and ending of each line.

The following items must be typed on the forms before they are issued:

- Account number
- Owner name
- Business Address
- City, State, ZIP
- Start date

The firm name (DBA) may be typed on these forms. If shown, the entry must be made outside the space outlined for the window envelope block.

Other items of data such as tax area code, mailing exception code, reporting basis, etc., are confidential data and are not typed on permit or license forms. Permit and license forms are displayed to the public, therefore disclosure of a reporting basis or other data could potentially allow inference of business volume or other confidential information. A mailing address may be included if it is different from the business address, allowing the form to be mailed in a window envelope.

Positioning items of data on the forms in their order of entry is as follows:

First Entry — Account Number

Starting with the top line, left side, type the complete account number including TAT, office code and numerical portion, i.e., SR ARA 15-789012, and the start date. If a subpermit exists, continue with a dash after the numerical portion, sublocation number, another dash, and master office code, i.e., SR Y EH 15-789012-0196-ARA. The account number is the only entry made on the first line of the form.

It is not necessary to prepare new permits when the only change is to the TAT indicator. This situation occurs when accounts are converted between SR X, SR Y, SR Z and SR.

Second Entry (When Necessary) — Business Address If Different From Mailing Address Does Not Apply To Sublocations

When the mailing address is different from the business address, type the business address on the second line, including the number and street but not the post office unless it is different from the post office of the mailing address. This is the only entry made on the second line. Do not insert the mailing address if the permit will be handed to the taxpayer in person.

Examples:

1310 Eighth Street (same post office as mailing address)

1310 Eighth Street, Sacramento (different post office from mailing address)

If the mailing address is the same as the business address, the second line is left blank.

Third Entry — Owner Name

Owner name is entered beginning on the next available line. As much as possible, a complete owner name should be entered subject to necessary abbreviations of first names of partners, etc.

Fourth Entry — Mailing Address (or Business and Mailing Address When Identical)

The business address is entered on the next available line. Two lines of the form are used for this entry. The first line will include number, street, etc. The second line will include post office, twoletter state abbreviation, and ZIP Code.

REGISTRATION

PREPARATION OF PERMITS, LICENSE AND CERTIFICATES IN GENERAL

(CONT. 2) 275.050

When the mailing address is different from the business address, enter the business address on the second line as described under “Second Entry”.

Formatting for preparation of the form is fixed with respect to entering account number and business address (if applicable) on the first two lines. Entry of other data is flexible, subject to the amount of data that is to be entered. For example, the owner name need not be restricted to one line.

HINT: When preparing the form, determine how much data can be and should be entered before typing is started.

DISCLOSURE OF DRIVER LICENSE AND SOCIAL SECURITY NUMBERS 275.060

As part of the registration process, applicants are asked to provide their driver license number and social security number. The Social Security Number (SSN) will not be requested from corporate officers.

Regarding SSNs, the Tax Reform Act of 1976, 42 U.S. Code § 405 section (c)(2)(C)(i) explains that it is the policy of the United States that any state may, in the administration of any tax, utilize the SSN for the purpose of establishing the identification of individuals affected by such law, and may require any individual who is or appears to be so affected to furnish to the state the SSN.

Based on the Tax Reform Act, the California Department of Tax and Fee Administration (CDTFA) may request applicants provide their SSN when applying for all CDTFA permits and licenses. However, the following groups are exempt from this prerequisite.

Corporate officers are not required to provide their SSN information and will not be requested to do so during registration.

In addition, submission of a SSN is completely voluntary when applying for consumer use tax accounts and certificate of registration — use tax accounts. While forms for these TATs contain a space for SSNs, applicants must be informed of the voluntary aspect of the law. Issuance of permits or licenses will not be held up by the lack of a SSN for these accounts.

Furthermore, only seller’s, use fuel, and vendor use fuel tax permits (under the provisions of RTC 6066, 8702, and 8712, respectively) may be required to provide their SSN to obtain such permits. The CDTFA is required to inform applicants how their SSN information will be used (CPPM section 275.070).

Registration Procedures

- When tax/feepayers register electronically via the CDTFA website, the system will attempt to verify the driver license number provided for all applicants except for persons associated with corporations, limited liability companies, limited liability partnerships, limited partnerships, and those registering with out-of-state licenses (see CPPM section 203.040). When the electronic registration system is unavailable, and staff must issue a permit, license, or account manually, staff will physically view a driver license or other proof of identification for all applicants excluding persons associated with a corporation, limited liability company, limited liability partnership, and limited partnership. Staff should not photocopy the driver license of an applicant, and any copies received from applicants must be destroyed (i.e., confidential destruction). If the tax/feepayer refuses to show identification, a permit, license or account will not be issued.
- The SSN is not requested of corporate officers, consumer use tax accounts, and certificate of registration – use tax accounts but is required of all other applicants; however documentation will not be required. If the applicant does not have or refuses to provide the SSN, staff will access FTB’s system to obtain the SSN. The applicant must be advised that we will obtain the SSN and be provided the option to withdraw the application.

- Staff performing the registration process should be flexible and accommodating to the fullest extent possible when verifying the required information. Discretion and professional judgment should always be used in cases when dealing with reluctant or uncooperative applicants. Exceptions to physical verification do exist and are sometimes warranted. When an exception is made, the reason should be noted in registration comments and approved by a supervisor. Reasons for an exception can include: (1) the applicant is a Fortune 500 company or a parent corporation registered out-of-state and officers are out-of-state or otherwise inaccessible, and in-state business of the corporation is conducted through their California agent for process of service, (2) the request is for a temporary permit or for part-time sales activities that will not likely generate any significant tax liabilities, and the applicant has provided separate verifiable evidence of local residence, employment, or other acceptable identification. FEIN, California Identification Card, ITIN (individual taxpayer identification number), Passport, Visa (not the credit card), paycheck stubs, or income tax returns are acceptable forms of substitute identification.
- Once verification has taken place, one of the check boxes in the upper right corner of the application should be checked. Staff should enter appropriate comments on the registration system noting the type of identification that was given. The supervisor may approve any exceptions to this policy on a case by case basis. Proper comments should be entered on the registration system indicating the reason for the exception and the name of the approving supervisor.

Taxable Activity Registration

In cases where adequate tax/feepayer identification is not provided, or if the authenticity of the documentation provided is questionable, access to the DMV or FTB databases should be used via the External Agency Tracking (EAT) system to verify the validity of the identification.

During the verification process, if it is discovered that the SSN and/or driver license number are registered in the FTB or DMV systems to a name other than that of the applicant, the applicant should be advised that they need to contact the Social Security Administration or DMV and resolve the apparent problem before the CDTFA will issue a permit, license, or account. However, if the applicant has credible identification (SSN card/driver license) which supports his or her identity, a permit, license, or account should be issued.

Duplicate SSNs or DLs are occasionally discovered in the Client Taxpayer System (CTS) during the manual registration process. Staff will perform a search of the SSN and the DL/ID number in the CTS CS subsystem to ensure that the SSN or DL/ID number does not already exist in the system. The CTS CS subsystem must be searched to determine if the applicant has an established Taxpayer Identification Number (TIN). If the SSN or DL/ID number does not exist in the registration system, the applicant will be registered as a client/taxpayer to obtain a TIN, and then the applicant can obtain an account. If the SSN or DL/ID number does exist in the CTS, the TIN information will be verified against the information provided by the applicant. If the applicant's identification information is the same as the TIN information, staff can issue an account. Staff will enter a comment stating the identity was verified in the CTS CM screen with subject heading "ID verified."

REGISTRATION

DISCLOSURE OF DRIVER LICENSE AND SOCIAL SECURITY NUMBERS

(CONT. 2) 275.060

If a search in CTS CS indicates the SSN or DL/ID number is associated with a different client, the applicant's identity should be confirmed by requesting a search of DMV or FTB database records using EAT system. Once the identity is confirmed, a comment should be entered in the CTS CM screen in IRIS. The subject heading for the comment should be "ID Verified" and should include information regarding how the ID number was confirmed. If the identification is anything other than SSN, driver license, or California ID card, the DLIC and SSN field should be left blank and the identification type and number entered into comments.

If the identity of the applicant cannot be confirmed using the EAT system, do not create a TIN for the applicant. Staff will inform the applicant the registration process cannot continue until adequate information is received to verify identity. The verification process is in place to protect the applicant's identity.

When a search of CTS discloses that the SSN or DL/ID exists in IRIS, and is associated with a client other than the applicant, staff will enter a comment in CTS CM screen in IRIS. Also, staff will enter a comment in IRIS on the TIN with the incorrect SSN or DL/ID information and notify their immediate supervisor of the situation. Staff will provide their supervisor with any comments and/or screen printouts of the account that has the incorrect information. The duplicate SSN or DL/ID number should not be deleted from IRIS.

If the applicant provided a copy of the DL/ID as verification, the copy must be destroyed after the applicant's identity has been verified. Staff will not retain copies of the DL/ID in the office or send copies to the Return Processing Branch or Taxpayer Records Unit with the application. Staff will destroy the copies by confidential destruction. However, if staff finds that the DL/ID is fraudulent through the verification process and the applicant voluntarily leaves the identification card, staff will give the identification card or the copy of the DL/ID and the application to their supervisor. The supervisor will then send it to DMV at the address listed below, along with an explanation of the findings:

Driver License Fraud Analysis Unit
PO Box 932391 Mail Station L217
Sacramento, CA 94232-3910

When duplicate SSNs or DL/ID numbers are discovered in IRIS and staff confirmed the applicant's identification through the EAT system, the registration section supervisor will contact a supervisor in the office of control or HQ section for the existing account and provide the erroneous information by telephone or email. The registration section supervisor will provide the duplicate SSN or DL/ID number, TIN, account number, and name of the tax/feepayer. The registration section supervisor will enter appropriate comments in IRIS documenting the contact and the name of the office of control or HQ section supervisor notified about the registration problem. The supervisor in the office of control or HQ section for the existing account will review the account, and if necessary, contact the tax/feepayer with the erroneous information and request adequate identification to correct the record. For sales tax accounts, if the tax/feepayer cannot provide credible identification, the account should be cited for failure to comply under RTC section 6070 or applicable RTC sections for the special tax or fee programs.

If staff is unable to confirm the applicant's identity through the EAT system, and duplicate identification information is discovered in IRIS, the office of control or HQ section supervisor will provide a copy of the DL/ID, SSN, and application to the Statewide Compliance and Outreach Program (SCOP) staff for sales and use tax accounts. SCOP staff will follow up to make sure the applicant does not operate without a valid account. For special taxes and fees accounts, the HQ section supervisor will create assignments for staff to follow up.

DISCLOSURE OF DRIVER LICENSE AND SOCIAL SECURITY NUMBERS

(CONT. 3) 275.060

Internal Revenue Service Numbers for Nonresident Aliens

In the past, the Social Security Administration (SSA) has issued “not for work” SSNs to nonresident aliens, which the CDTFA has accepted when issuing seller’s permits. IRS regulations now provide for the IRS to issue a taxpayer identification number called an IRS individual taxpayer identification number (ITIN) for use by alien individuals, whether resident or non-resident, who currently do not have, and are not eligible to obtain an SSN. The CDTFA will also accept an ITIN as a valid tax/feepayer identification number for the registration process.

ANNUAL PRIVACY NOTICE

275.070

A CDTFA-324-GEN, *Annual Privacy Notice – No Action Needed*, is furnished to every applicant for a permit or account with the CDTFA. The registration system automatically places the information on the bottom half of the page on which the permit is printed. The CDTFA-324-GEN, is also provided to taxpayers on an annual basis with their tax returns.

REGISTRATION

MEXICAN MERCHANTS AND EXPORTERS

280.000

GENERAL

280.010

Through cooperative efforts of the Chambers of Commerce in Mexico and the CDTFA, simplified methods have been devised for granting exemption from California sales taxes in transactions with qualified Mexican purchasers.

Publication 32, *Sales to Purchasers from Mexico*, explains the acceptable procedures for establishing exemptions. Reference to the publication should be made whenever specific questions concerning the application of tax to these types of transactions arise.

MEXICAN PURCHASERS

280.020

There are two groups of purchasers involved:

1. Mexican Retailers: All such retailers from the major Baja California cities are issued a plastic identification card by the Mexican Chamber of Commerce in their area. The card identifies the business, its resale registration number, and the business classification code(s) assigned to the retailer. The card also carries an expiration date and must be renewed annually. The card fits a standard credit card machine, and California sellers frequently imprint the card on the sale invoice in addition to obtaining a Mexican resale certificate. The respective Mexican Chambers issue the certificate cards to the Mexican merchants.
2. Mexican Consumers: Tax applies when property is delivered in this state to the purchaser prior to an irrevocable commitment of the property into the process of exportation. (See Regulation 1620.)

The responsibility for this program rests in the San Diego Office (FH) of the CDTFA.

See Decision Table, CPPM 280.030.

SALES TO MEXICAN RETAILERS AND CONSUMERS — DECISION TABLE 280.030

CONDITIONS	A	B	C	D	E	F	G
Sale in California	Y	Y	Y	Y	Y	Y	Y
Property used in California prior to export	Y						
Purchased for resale in Mexico		Y					
Purchased for use in Mexico			Y	Y	Y	Y	Y
Shipped by common carrier - delivered in Mexico			Y				
Shipped by common carrier - delivered at Mexican Border				Y			
Shipped by seller's vehicle - delivered in Mexico					Y		
Shipped by seller's vehicle - delivered at Mexican Border						Y	

ACTION	A	B	C	D	E	F	G
Taxable	X						
No documentation available — Taxable							X
Exempt — Obtain "Resale Certificate of Mexican Merchant"		X					
Exempt — Obtain Bill of Lading			X	X			
Exempt — Obtain copy of Mexican Import Documents				X	X	X	
Exempt — Obtain "Certificate of Delivery in Mexico"					X		
Exempt — Obtain "Certificate of Delivery at Mexican Border"						X	

LEGEND: Y = YES N = NO X = ACTIONS TO TAKE

PRECOLLECTION OF SALES TAX ON FUEL**285.000****WHAT IS THE “SG” PROGRAM?****285.005**

Fuel sales account for a major portion of California sales and transaction taxes. Because fuel is tightly monitored for both state and federal purposes, and because the business failure of a single retailer could have a serious revenue impact, RTC section 6480.1 requires precollection of an amount of sales tax from the person to whom the motor vehicle fuel, aircraft jet fuel, or diesel fuel is sold.

RTC section 6480.1 refers to payment of sales tax at distribution as “prepayment.” This causes confusion with provisions of the Sales and Use Tax Law dealing with quarterly prepayment reporting basis assigned to retailers. To eliminate confusion between the two programs, “precollection of tax” will refer to sales tax due upon distribution of motor vehicle fuel.

The precollection of sales tax requirement is imposed when motor vehicle or diesel fuel is removed from the terminal rack, imported into this state via ground transportation (or via bulk transfer if the enterer is unlicensed), or sold to a person that is not a licensed supplier. The precollection of sales tax requirement is also imposed when blended motor vehicle fuel or blended diesel fuel is first sold by the blender. In addition, the precollection requirement is imposed when aircraft jet fuel is removed from a terminal rack or imported into this state via ground transportation.

The supplier is required to collect prepaid sales tax from the purchaser of motor vehicle fuel, diesel fuel, or aircraft jet fuel and provide the purchaser with an invoice which evidences the precollection of the tax. A wholesaler is required to collect a portion of the retail sales tax from the person to whom fuel is sold and provide the purchaser with an invoice which evidences the precollection of the tax.

SIMILARITIES WITH THE MOTOR VEHICLE FUEL TAXABLE ACTIVITY TYPE**285.010**

Although RTC section 6480.1 closely parallels the Motor Vehicle Fuel License Tax Law, the term “precollection” refers only to sales tax. Enough similarities exist so that if California highway taxes are due, so is the precollection of sales tax. The rate is set each year by the CDTFA based upon average retail prices. In times of rising prices, the precollection rate will be increased; if prices are decreasing, the precollection rate will be lowered.

Account numbers used for precollection accounts are comprised of 4 or 5 alpha characters followed by 8 digits as follows:

- The TAT is always SG.
- The district portion of the tax code will be the same as the office shown for the seller’s permit.
- The first two digits are “77” or “78.” If the taxpayer holds a Motor Vehicle Fuel Distributor account, which begins with “07,” the first two numbers then become “77.” If the taxpayer holds a Motor Vehicle Fuel Broker account, which begins with “08,” the first two numbers then become “78.”
- The last six numbers are the last six digits of the taxpayer’s motor vehicle fuel distributor or broker tax account.
- If a taxpayer does not need a Motor Vehicle Fuel License Tax account, taxpayers register for SG accounts through the electronic registration system on the CDTFA website. This is necessary for taxpayers who distribute only diesel, aircraft jet fuel and other qualifying fuels, or participate in a card lock network. Such accounts will be issued an account number beginning with the “78” prefix followed by six additional numbers beginning with 020001.

REGISTRATION

SIMILARITIES WITH THE MOTOR VEHICLE FUEL TAXABLE ACTIVITY TYPE

(CONT.1) 285.010

Effective January 1, 2002, the Sales and Use Tax program codes changed as follows:

Taxpayer or Program Name	Old Program Code & Account Numbers	New Program Code & Account Numbers	Reporting basis	Due Date of Return
Prepaid Sales Tax Distributor	SG 77-000000 to 999999	No close out of existing account numbers or issuance of new account numbers from these series Designation will become "supplier" or "wholesaler"	Monthly	Last day of next month
Prepaid Sales Tax Broker	SG 78-000001 to 019999		Monthly	Last day of next month
Prepaid Sales Tax Diesel	SG 78-020001 to 020399		Monthly	Last day of next month
Prepaid Sales Tax Suppliers and Wholesalers		All new suppliers and wholesalers will be 78-020405 to 999999	Monthly	Last day of next month

Effective January 1, 2002, the Fuel Taxes program codes changed as follows:

Taxpayer or Program Name	Old Program Code & Account Numbers	New Program Code & Account Numbers	Reporting Basis	Due Date of Return
Petroleum Supplier	None	PS 04-06000 to 064999	Monthly	Last day of next month
Diesel Terminal Operator	do	Closed out and re-registered as PO (1)	-	-
Diesel Fuel Supplier	DD 57-250001 to 350000	no change	Monthly	Last day of next month
Diesel Train Operator	DT	Closed out and re-registered as PT (2)	-	-
Diesel Throughputter	DP	Closed out and re-registered as DD	-	-

COMPLIANCE POLICY AND PROCEDURES MANUAL

Taxpayer or Program Name	Old Program Code & Account Numbers	New Program Code & Account Numbers	Reporting Basis	Due Date of Return
Petroleum Miscellaneous	None	PX 04-065000 to 069999	-	No return due
Petroleum Common Carrier	None	PC 05-05000 to 052999	Monthly	Last day of next month
Petroleum Industrial User	None	PM 05-053000 to 055999	-	No return due
Petroleum Terminal Operator	None	PO 05-056000 to 058999	Monthly	Last day of next month
Petroleum Train Operator	None	PT 05-059000 to 05999	Quarterly	Last day of the month following the quarter
Motor Vehicle Fuel Distributor	MD 07-000001 to 999999	Deleted Closed out	-	-
Motor Vehicle Fuel Broker	MB 08-000001 to 999999	Deleted Closed out	-	-
Out of State Purchaser	None	PE 05-06000 to 064999	-	No return due

(1) Petroleum Terminal Operator (PO) replaced the Diesel Terminal Operator tax program. The PO will report its monthly receipts, distributions, and ending inventory of all petroleum products including gasoline, diesel, and jet fuel, and replaced the former "DO" program code related specifically to tracking diesel type fuels in terminal operations.

(2). Petroleum Train Operator (PT) replaced the Diesel Train Operator tax program. The PT will report its purchases of all petroleum products including gasoline and diesel for use in train operations and replaced the former "DT" program code related specifically to purchases of diesel fuel.

Retailers are responsible for the payment of sales tax on retail fuel sales. When retailers file sales tax returns, credit is taken for the amount of sales tax precollected by their suppliers at the time of distribution; the retailers then remit the difference between what is due on retail sales and amounts already paid through precollection.

Retailers selling fuel are mailed the sales and use tax return, CDTFA-401-GS, provided the account is coded with an ACC of 3, 4, or 5.

REGISTRATION

DUE DATES FOR PRECOLLECTION RETURNS

285.020

Suppliers and wholesalers file an “SG” prepayment tax return electronically on the CDTFA website. For taxpayers granted an exemption from electronic filing, the return (CDTFA-401-DB) is available to print online. Tax return due dates for the “SG” program are on the last day of the month following the month in which the fuel was removed, entered, or sold.

APPLICATION PROCEDURES FOR SG ACCOUNTS

285.030

SG accounts cannot be registered using the online registration system. Generally, a taxpayer will register for a seller’s permit through the online registration system, and then contact the California Department of Tax and Fee Administration (CDTFA), at which time staff will determine if they qualify for an SG account. If a taxpayer is a fuel wholesaler or a fuel supplier, the field staff will add an ACC 4 or 5 to the account.

When staff issue a sales tax permit and manually adds an ACC of 4 or 5 (fuel wholesaler or fuel supplier, respectively), an email must be sent to Registration@cdtfa.ca.gov requesting issuance of the SG account number. The email must include the taxpayer’s name, sales tax account number, a “print screen” of the registration screen (TAR AI), and the start date for the SG permit, along with the contact name and phone number of the requestor. The Local Revenue Branch will then establish the SG account and notify the taxpayer of the precollection requirement (CDTFA-999-L).

FLOOR TAXES **292.000**

GENERAL **292.005**

Generally, when a specific excise tax increase is either legislated or passed by the voters, any merchandise or stock of goods already in the possession of the wholesaler or retailer but not yet sold (“on the floor”), must be taxed on the difference between what has been paid by the manufacturer and the new tax rate. Floor taxes thus become the method of collecting this tax difference.

METHOD OF DETERMINING WHICH ACCOUNTS ARE SUBJECT TO FLOOR TAX **292.010**

Once an increase in excise taxes has been authorized through legislation or ballot initiative, accounts must be selected which potentially sell merchandise or goods subject to the tax increase. For example, when the voters passed Proposition 111 in June 1990, motor vehicle fuel taxes increased by 5 cents per gallon beginning August 1, 1990.

Motor vehicle fuel taxes are due at the time of first distribution of the fuels, so distributors raised the amount remitted to the state on or after August 1. Fuels already distributed, on the other hand, were subject to the tax but had already left the distributor.

Special floor tax returns, using a prefix of FT, were designed for retailers to report the tax, and were mailed to all sales tax accounts with a “G”, “D” or “B” in the account analysis code portion of the coding grid. Other criteria can be used depending upon specific circumstances.

DELINQUENCY CONTROLS FOR FLOOR STOCK PROGRAM **292.030**

Generally, delinquency notices are sent to recipients of floor stock returns six weeks after the due date of the return. A second notice is sent 12 weeks after the due date of the initial return, and a list of delinquent accounts forwarded to field offices.

Motor vehicle fuel tax collection is the responsibility of the State Controller’s Office. Collection problems and refund requests received by telephone should be directed to the State Controller for resolution.

MISCELLANEOUS**295.000****ASSISTANCE FOR HEARING IMPAIRED TAXPAYERS****295.005**

When helping hearing impaired taxpayers who require American Sign Language assistance, staff should contact the EEO Counselor/Bilingual Coordinator at 916-322-0064 to obtain access to the Bilingual Volunteer List or an ASL interpreter.

IMPLEMENTATION OF NATIONAL VOTER REGISTRATION ACT (MOTOR VOTER BILL)**295.010**

Under the National Voter Registration Act of 1993 (NVRA), certain state and local agencies are required to ask whether their clients are registered to vote. If the clients are not registered, the agencies must offer them the opportunity to register and submit the voter registration form to local election officials. The NVRA requires the participation of agencies issuing driver's licenses (hence, "motor voter"), and of agencies providing public assistance or services to the disabled. The NVRA also allows states to designate other agencies as "voter registration agencies". All CDTFA field offices are designated as voter registration agencies.

NVRA Requirements

As a designated voter registration agency, the CDTFA field offices are required to:

- Provide a CDTFA-6, *National Voter Registration Act (NVRA) Declination Form*, or an electronic equivalent if services are provided electronically, to taxpayers who request service or assistance with registration, renewal, or account maintenance. The SOS website also has a voter preference form that may be used and is available in several languages, 01/13 NVRA Voter Preference Form. The CDTFA has defined electronic services to mean all core processes that allow tax and fee payers to electronically apply for services. The process of electronically filing returns or making payments does **not** meet the criteria of a request or application for assistance with a core service. The tax or fee payer is **not** requesting a service; they are only completing a required transaction.
- Provide a mail voter registration application form to sole proprietors who have responded that they would like to register to vote on the CDTFA-6.
- Provide assistance in completing the CDTFA-6 and voter registration application forms.
- Transmit completed voter registration to any county registrar of voter's office within 10 days. In California, this is any county registrar of voters, regardless of the county of residence of the client registering.
- Ensure that those who provide the services described in NVRA section 1973gg-5(a)(4)(A) do not: (a) seek to influence an applicant's political preference or party registration; (b) display any political preference or party allegiance; (c) make any statement to an applicant or take any action to discourage the applicant from registering to vote; or (d) make any statement to an applicant or take any action which leads the applicant to believe that a decision to register or not to register has any bearing on the availability of services.
- Ensure that no information relating to a declination to register to vote is used for any purpose other than voter registration. The state shall not disclose information relating to a declination to register to vote or to the identity of a voter registration agency through which any particular voter is registered. The forms are not public information, and therefore, the CDTFA may not disclose who has registered to vote through CDTFA field offices or who has declined to register. All completed CDTFA-6 declination forms are to be retained by the CDTFA and not transmitted to the county registrars.

IMPLEMENTATION OF NATIONAL VOTER REGISTRATION ACT (MOTOR VOTER BILL) (CONT.1) 295.010

NVRA does not require voter registration agencies to keep statistical information. However, the CDTFA will keep data on the number of CDTFA-6 declination forms provided and the number of voter registration forms completed by clients. Each field office will track the number of declined responses from CDTFA-6 forms submitted by sole proprietor applicants seeking sales tax registration or account maintenance updates. The field offices will enter the total number of declinations received and the total number of completed Voter Registration forms on the “National Voter Registration Act Reporting Form” and send the report to the local county elections offices at the end of each month.

Which Clients Are Affected

All sole proprietors who appear in person for account maintenance, or request an application for a core service are to be provided with the CDTFA-6. Those applicants who indicate they want to register to vote will be provided a voter registration application form. The CDTFA electronic registration process provides for an electronic voter preference form, and will connect taxpayers that choose to register to vote to the SOS online voter registration page.

Contact by Telephone or Mail

For all sole proprietors who contact the CDTFA by telephone for assistance with account maintenance or core service, staff must ask if they would like to register to vote. Staff must note the taxpayer’s response on the preference form and if the applicant does wish to register to vote, staff must either send a voter registration form by mail, or send an email with a link to SOS website. If the contact is by mail, staff must mail a CDTFA-6 and voter registration form.

Field Office Requirements

Administrators will ensure that each employee who provides voter registration services completes an annual training on NVRA and SB35 requirements, and will designate a contact person for each office under their supervision who will:

- Communicate with the county elections office for training assistance, training material, and voter registration forms.
- Transmit completed voter registration forms to the county elections office county registrar of voter’s office every Friday at close business. Transmitting every five business days will meet all deadlines as required by the act.
- Maintain in the field office the completed CDTFA-6 forms, and on a monthly basis count the number of CDTFA-6 forms provided to clients in addition to the number of completed voter registration forms. Declination forms are to be maintained for two years and shall not be used for any purpose other than the maintenance of the NVRA. The information on the forms may not be disclosed to anyone including county election officials and staff.
- Ask all sole proprietor applicants who appear in person for registration or account maintenance to complete and sign the CDTFA-6 form. Any client who refuses to complete or sign the declination form will be considered as having declined to register to vote and no further action is required.
- Provide a mail-in voter registration form to those clients who indicate a desire to register to vote.
- Provide assistance in completing the voter registration form to those clients who request assistance. Clients may fill out the voter registration form and mail it on their own. All completed voter registration forms left with the CDTFA are to be transmitted to a county elections office in the manner stated above. If a staff member filled out a voter registration form on behalf of the applicant, the staff member must sign the form in the section that asks, “Did someone help you fill out or deliver this form?”

REGISTRATION

IMPLEMENTATION OF NATIONAL VOTER REGISTRATION ACT (MOTOR VOTER BILL) (CONT.2) 295.010

- Maintain confidentiality with respect to the retained completed preference forms for a period of two years. The NVRA requires a voter's decision to register or decline to register and the location where an applicant registers to vote to be kept confidential. Voter preference forms are not public information. The preference forms should be stored in a central, chronological file, as they are subject to audit.

Core Electronic Services

All new electronic core services that allow tax and fee payers to electronically apply for service will incorporate the electronic voter preference form as part of their implementation.

APPLICATIONS FOR PERMITS TAKEN FOR OTHER OFFICES

295.020

Whenever an application is accepted for another office, it should be completed in its entirety. When necessary, the office accepting the application will telephone the office responsible for the account to obtain the required information and coding data.

Care should be taken when reinstating a closed out or revoked account for another office. In these cases, the office responsible for the account should always be contacted to determine whether or not there are any special requirements for reinstatement of the account.

DELIVERY OF PERMIT OR LICENSE TO APPLICANT

295.030

The delivery of a permit or license to an applicant is evidence the applicant has complied, or will comply, with the requirements of the law to the satisfaction of the CDTFA.

SELLER'S PERMITS TO MAKE EX-TAX PURCHASES

295.040

Seller's permits are issued to persons who will be engaged in a bona fide business activity of selling tangible personal property.

Some persons try to secure permits solely for the purpose of purchasing items for their own use at wholesale prices and without payment of the sales tax. Many persons will attempt to place themselves in the category of sellers in order to secure a seller's permit for these improper purposes. Such use is prohibited by RTC section 6072, a misdemeanor per Section 6094.5, and punishable as provided in Section 7153.

When it appears the permit is to be used solely for purchasing property for use, and not for resale in the course of operating a business, the applicant should be informed that issuing a seller's permit is not proper and that a permit will not be issued. These persons should be referred to RTC sections 6072, 6094.5 and 7153. Copies of these sections may also be provided.

OCCASIONAL SALES

295.050

Generally, more than two sales in a twelve month period (not calendar year) made by the same person requires a seller's permit. A permit is not necessary if the series of sales were:

1. Few in number,
2. Of an inconsequential amount, and
3. Of the type that is inconsistent with the seller's normal business activity.

All three of the foregoing conditions must be present to eliminate the need for a permit.

Each case must be decided on its own merits as to whether the series of sales is sufficient in number, scope, and character to constitute an activity for which a seller's permit is required. Chapter 10 of the Audit Manual contains a complete discussion of this subject and should be referred to for additional information.

Regulation 1595, Occasional Sales, clarifies that the first two sales in a series of sales requiring a seller's permit are exempt from tax as occasional sales. The third sale in such a series, and any subsequent sale, is subject to tax.

Whenever there is any doubt as to whether an occasional seller should be regarded as a retailer, the question should be submitted to the next level of supervision for a decision.

USE TAX DIRECT PAYMENT PERMIT**295.060**

Pursuant to RTC section 7051.3, certain taxpayers may pay use tax directly to the CDTFA that would otherwise be collected by the retailer making the sale. Doing so allows the direct allocation of the use tax to the jurisdiction of first use by the purchaser rather than allocation to the countywide pool as determined by the retailer. Section 7051.3 applies only to **use** tax.

Use Tax Direct Payment Permits may be issued to any applicant who agrees to self-assess and pay use tax directly to the CDTFA, and certifies to the CDTFA either of the following:

- The applicant is the purchaser for its own use or is the lessee of tangible personal property at a cost of \$500,000 or more in the aggregate, during the prior calendar year.
- The applicant is a county, city, city and county, or redevelopment agency.

An applicant for a Use Tax Direct Payment Permit must either already hold a seller's permit or a consumer use tax permit. If the applicant does not hold a permit, he/she must file an application (CDTFA-400-DP). If the permit to be issued is exclusively for reporting use tax, the TAT SU should be assigned. If the applicant is a local government entity (as listed above), ACC 13 should be assigned. If the applicant is someone other than a local government entity, ACC 14 should be assigned.

CONSUMER USE TAX — TEMPORARY ACCOUNTS**295.080**

Unreported use tax is frequently uncovered through the CDTFA's audit and investigation processes. When the person charged with the liability is not required to hold a seller's permit and is not registered under a consumer's use tax account number, the liability is assessed through a Report of Field Audit or Compliance Assessment (CAS) which results in a determination of tax due. In order to identify the liability, an arbitrary account number is assigned by the field office. The TAT is SR (ACC 999). The office code represents the office responsible for the account and the numerical portion is in the series 052-xxxxxx issued in the registration system. (CPPM sections 295.090 and 295.091) Once a number has been assigned, it may be used to identify any subsequent tax determinations against the same person as long as a seller's permit or a consumer use tax account is not involved. For CUTS accounts (vehicles, vessels etc.) see CPPM section 295.095.

ARBITRARY ACCOUNT NUMBERS**295.090**

An arbitrary number is assigned to a person who does not hold a permit, or an unidentifiable entity, to accept payments, identify an account, or for use in establishing a liability against an unlicensed or uncooperative person.

"Person" is defined in the various tax laws administered by the CDTFA and is not limited to an individual or partner.

Arbitrary numbers often are an interim method of identifying an account or entity until a permit or license is issued or an existing account is identified for the entity. The TAT for sales tax accounts, for example, is SR. The office code designates the office responsible for the account. The numerical portion begins in the series 52-000000. For dual determinations, the series begins with 53.

The assignment of an arbitrary number occurs when the CDTFA receives tax returns, payments or significant correspondence that cannot be associated or identified with a permit. Under these circumstances, when a permit is subsequently issued or the proper account found, returns, remittances or balances previously posted to the arbitrary number may be allocated or transferred to the proper permit. This process is initiated at the field or Headquarters office through the preparation of CDTFA-523, *Tax Return and/or Account Adjustment Notice*, concurrent with the issuance of the new permit or license.

ARBITRARY ACCOUNT NUMBERS**(CONT.) 295.090**

Payments in full received from taxpayers who are no longer operating and who did not hold a permit, as well as unidentified payments/documents received in field offices, must have an arbitrary account number assigned before transmittal to Headquarters unless they are accounts administered by CUTS (see CPPM section 295.095).

Arbitrary account numbers are also assigned to unpermitted entities in connection with field audits and field billing orders after a Report of Field Audit or Field Billing Order has been transmitted to Headquarters. The need for assigning an arbitrary account number under these conditions should be avoided whenever possible. Every reasonable effort should be expended by the office responsible for the account to place the unpermitted entity involved under proper permit before the audit or field billing order is transmitted to Headquarters. When the assignment of an arbitrary account number is unavoidable and the account is placed under permit at a later date, the arbitrary account number is normally abandoned and all material, data, and postings are transferred to the new account. The CDTF A-523, *Tax Return and/or Account Adjustment Notice*, is prepared by the field office and a copy forwarded to the Return Analysis Unit.

PROCEDURE TO ISSUE ARBITRARY ACCOUNT NUMBERS**295.091****Control of Arbitrary Account Numbers**

Arbitrary account numbers are internally assigned by the registration system in the same way manual permits are issued. If the registration system is unavailable and the arbitrary account number must be issued right away, an arbitrary account number can be requested on an as-needed basis by sending an email to "[+Registration](#)" or by contacting the supervisor of the Return Analysis and Allocation Section (MIC 32). These numbers are to be issued in the event the registration system is unavailable for a period of time.

Guidelines for Issuance of Arbitrary Account Numbers

Arbitrary account numbers are not issued for CUTS accounts for tax due for the purchase of vehicles, vessels or aircraft, or for special taxes and fees accounts. Please refer to CPPM section 295.095 for procedures related to CUTS accounts.

An arbitrary account can be established by assigning the TAT SR (ACC 999) option from the CTS "Client Modify" screen.

Guidelines for Issuance of Dual Determination Arbitrary Account Numbers

The proper procedure to follow when dealing with dual determinations is to issue them through the use of an arbitrary number. Additionally, the arbitrary number **must be a "53" series**, which has been specifically designated for dual liabilities, and not the "52" series. Using the "53" series will prevent any delinquencies from appearing on the dualee account and will trigger appropriate ACMS programming designed to effectively deal with these accounts.

Regular or Issue-and-Cancel accounts **must not be issued** to bill any dual liabilities. The use of these accounts for dual purposes results in outstanding delinquencies on these accounts. This is due to the fact that the system expects regular return filings, which in fact will never be filed. The clearing of these delinquencies must then be manually handled by headquarters units, which results in additional unnecessary work for both Headquarters and field staff.

Dual Arbitrary "53" series accounts can be selected after creating the client TIN and then going to the CTS CM — Client Maintenance screen and selecting Arb for arbitrary. A pop up box will then appear where the **Dual Arb** (series 53) can be selected by placing a "Y" in its corresponding action field.

REGISTRATION

PROCEDURE TO ISSUE ARBITRARY ACCOUNT NUMBERS Input to the Registration Screen Account Number

(CONT. 1) 295.091

The registration system automatically assigns an account number. If IRIS is unavailable, the next available arbitrary account number from the block assigned to your office should be entered. When the registration system becomes available, use the account number override capability and assign the number taken from the bank of numbers. Arbitrary account numbers presently begin with “052-9XXXXX”: the “X” is a number issued from the number sequence.

Taxable Activity Type

When using the registration system refer to the Business Taxes Code Book, section 100.071, for a list of all TATs administered by the CDTFA. Arbitrary numbers may be issued only for TATs ending in N.

Owner Code

The ownership code for the entity, if ownership can be determined, should be entered in the registration system. This entry must match the “Owner” line. If the owner’s name is unknown, enter “Unidentified” on the owner line and the owner code will be generated from the entity type.

Doing Business As — (DBA)

Enter the DBA or fictitious name for the account, just as if you were establishing a manual account. If no DBA is used, make no entries.

Owner

Enter the name of the owner or entity, just as if you were establishing a manual account. Courtesy titles such as Ms., Mr. or Miss are not entered. If the owner’s name is unknown enter “Unidentified” on the owner line.

District

The district field refers to the office of control. This office is established by where the business is located.

Business Address

When using the registration system, enter the business address just as if you were establishing a manual account. If unknown enter the city, state and zip code.

Tax Area Code

The registration system will generate three area code choices at the time the address of the business is identified. When IRIS is unavailable and a specific area code cannot be determined, enter the county code followed by “999,” plus any add-on and in-lieu codes applicable to the county.

For example, an account in San Diego County where the exact location cannot be determined would show area code: 37999-017-0000.

In the rare instance where no specific location or county of operation can be located, use area code “59999-000-0000.”

The Program and Compliance Bureau administers all fuel programs. In-state fuel tax area codes are coded to the county where the books and records needed for audit and compliance activities are, followed by “000-000-0000.” For example, a fuel account located in Ventura County would show tax area code “56000-000-0000.” Out-of-state fuel tax area codes are entered based upon the state or country where the taxpayer is located. See the Business Taxes Code Book for a list of county, state and country codes.

PROCEDURE TO ISSUE ARBITRARY ACCOUNT NUMBERS

(CONT. 2) 295.091

Mailing Address

When using the registration system, enter the mailing address as if you were establishing a manual account. If unknown, this space may be left empty for arbitrary accounts. When the mailing address is different from the business address, enter the mailing address on this line.

Amount of Payment

If a payment is received, enter the amount. If an entry is made in this area and is the same amount as the liability, make no entry in the “Amt. of Liability” section.

Amount of Liability

If there is a liability established by a “No Remittance” return, an audit, or a field billing order and payment in full is not received, enter the amount of the liability due. Make no entry in this section for a “No Change” audit (CDTFA-414-C). If an entry is shown in this area, make no entry in the “Amt. of Payment” section. In the case of a “Partial Remittance” return, place the amount paid on the Amount of Payment line and the balance on the Amount of Liability line.

Liability Period

Enter the dates for which the arbitrary account is established. In the left side of the box show the beginning date in MM/DD/YY format, and on the right side show the ending date in MM/DD/YY format. For example, an account established for January 3, 2013 through May 27, 2013, would be entered as 01/03/13 — 05/27/13.

Cross Reference Account Number

Enter the number of any related regular account affected by this transaction.

Reason for Issuing

Enter the reason for issuing an arbitrary number. For example, if a field billing order was prepared, enter CDTFA-414-B; an audit would be CDTFA-414-A; a payment received and transmitted on a tax return would be CDTFA-401; a payment received as a 2-B deposit to secure a clearance for an unpermitted entity would be shown as a CDTFA-487-C or CDTFA-487-D.

If you are unsure about the entry to place in this area, contact RAU for guidance.

Comments

The registration system will record who created the account. When the system is unavailable, note the name, office location, and the initials of the person requesting the arbitrary number. This information should be entered into the Comments area, so the originator may be identified when someone other than the originator enters the account information on the system.

CONSUMER USE TAX ACCOUNT NUMBERS**295.095**

CUTS has the responsibility of creating and maintaining registration information for taxable activities regarding the purchases made from non-dealers of vehicles, mobilehomes, vessels, aircraft, and purchases from outside the state by California residents who hand carried and declared the purchases through U.S. Customs. The TAT designators are SA (vehicles and mobilehomes), SB (vessels), SP (aircraft), and SI (customs). The following information is required for CUTS to issue an account number:

- Taxpayer's name, address and phone number
- Purchase date
- Purchase price (a copy of the Bill of Sale that is signed by the seller should be forwarded to CUTS)
- Identifying information for the tangible personal property such as license number for vehicles or mobilehomes, CF number for vessels registered with DMV, documentation number for vessels registered with the USCG, tail or "N" number for aircraft registered with the FAA, as well as the make and year model.
- County where the vehicle, vessel or aircraft is stored, moored or hangared, if different than the county of residence for the taxpayer.

Full or partial payments received in a field office with a CDTF-401-CUTS, *Combined State and Local Consumer Use Tax Return for Vehicle, Mobilehome, Vessel, or Aircraft*, should be processed by the cashier the same as any other sales/use tax return.

If a payment is received without a return, the payment should be processed related to the appropriate TAT. A copy of the check and any documents received in a field office should be forwarded to CUTS. If the taxpayer is in the office, the required information identified above should be obtained and forwarded to CUTS with the copy of the check.

The Use Tax Administration Section (UTAS) has responsibility for processing and tracking use tax leads developed from information received by the Department of Homeland Security's U.S. Customs Division. The TAT SD indicator will be used for new, one-time use tax liability accounts established by the U.S. Customs group.

In most cases, UTAS will register a taxpayer with the TAT SD when it is necessary to send a tax return to the taxpayer. After creating the account, UTAS will send the CDTF-401-CUST, *Customs Imports Return*, so that the taxpayer can report and pay the use tax obligation on merchandise shipped into this state from an out-of-state location and stored, used or consumed in California.

PENDING APPLICATIONS**295.120**

In rare instances, the Administrator may withhold issuance of a permit pending receipt of the appropriate security if deemed to be in the state's best interest.

CANNABIS DISTRIBUTORS**295.130**

A cannabis tax account and permit will be issued to distributors and microbusinesses upon completion of the online registration process. Cannabis distributor accounts are given Taxable Activity Type (TAT) CD, and require separate registration and filing from all other TATs.

Distributors receive a distributor license number(s) from the Bureau of Cannabis Control. This number is requested, but not required, at the time of registration. If the number is provided, it will be stored under the “Other Agency Number” in the registration system. If the number is not supplied, staff can update the registration screen to include the distributor license number if provided at a later date.

A cannabis tax permit can be printed by the taxpayer from the registration packet that is provided at the end of the online registration. Staff may assist applicants who are unable to register online by using the current manual registration procedures. Staff has the ability to manually print a cannabis tax permit along with a cover letter through Doc Management.

- CDTFA-2145-CD, Cover letter for the cannabis tax permit
- CDTFA-442-CD, Cannabis tax permit

In addition to the cannabis tax permit, distributors and microbusinesses are generally required to obtain a seller’s permit if they do not already have one. However, certain distributors may not be required to hold a seller’s permit. For example, if they only transport cannabis and/or cannabis products, and do not make sales, they do not need to have a seller’s permit. They would instead be required to obtain a Cannabis Certification Letter from the CDTFA (see CPPM section 255.063).