



TAX INFORMATION BULLETIN

We Are Here to Serve

If you're a taxpayer affected by the COVID-19 pandemic, please rest assured that the CDTFA is here and committed to serve your needs. With the [Governor's COVID-19 Executive Order](#) in effect, CDTFA has been able to make it easier for taxpayers to request relief. If your business is impacted, many options are available to you including extensions for filing returns and making payments, and interest and penalty relief. Please see our [COVID-19 State of Emergency](#) page for details.

In the interest of on-going health, our local field office and motor carrier public counters are temporarily closed. However, our commitment to customer service remains. There are [many ways](#) you can reach us directly for immediate service. If you have an extraordinary need, certain services will be made available by appointment only. To request an office visit to make a tax payment, contact the [local office](#) to discuss the availability for an appointment.

As always, you can call our Customer Service Center at 1-800-400-7115 (CRS:711) with questions about filing, extensions, or tax relief.

All Californians Count. Take the Census!

Every 10 years, people across the country and in California fill out the Census in order to have an accurate count of all people in the United States. The Census determines California's federal funding for important community services that help support our families and fair share of representation in California and Washington D.C.



Starting in mid-March 2020, each household will get a letter in the mail. It will explain the different ways you can fill out the Census. If you don't receive a letter, you can still go online or call to fill it out. Be sure you include any person living in your household, family or not.

The Census is safe, protected, and confidential. The Census helps determine how much money California receives for important programs and services. When you fill out the Census, you help your community get its fair share of money.

Information collected as part of the 2020 Census cannot be shared by other governmental agencies or used against you in any way. California is different and diverse. All Californians count. Take the Census.

Every person in the country is required to fill out the 2020 Census form. Luckily, you have three ways to respond:

- 1. Mail:** Request a paper Census form in English or Spanish that can be mailed back to the U.S. Census Bureau.
- 2. Phone:** The Census can be completed by phone in 13 languages.
- 3. Online:** For the first time, the Census form will be available to complete online in 13 languages.

Video and printed guides will also be available in 59 non-English languages, and there will be a video in American Sign Language, plus a printed guide in Braille. Whichever you choose, just make sure you fill out the form!

For more information, visit <https://californiacensus.org/>.

Sign Up Now Campaign

We are encouraging all taxpayers to [Sign Up Now](#) for a *Username* and *Password* when using our online services system. When you sign up for a *Username* and *Password*, it allows our staff to better assist you with your account, and provides access to all the enhanced features of our system, including:

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

If you are using your *Limited Access Code* to file and pay online, you will be sent a letter with the information you need to sign up for a *Username* and *Password*. This letter can be shared with third parties (tax preparer, CPA, representative, etc.) to provide them full access to your account(s).

If you need assistance with creating a *Username* and *Password*, please see our [Video Tutorials](#) page or contact our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

New Sales and Use Tax Rates Operative April 1, 2020

The tax rate changes listed below apply only within the indicated city limits. The new tax rates, tax codes, and acronyms will be available to view and download as a spreadsheet prior to April 1, 2020, on our [California City & County Sales & Use Tax Rates](#) webpage. Go to our website at www.cdtfa.ca.gov, select [Tax and Fee Rates](#), then choose [Sales and Use Tax Rates](#) (scroll down to *Download* for the spreadsheet).

To find the specific tax rate for your area or business location, go to the [California City & County Sales & Use Tax Rates](#) webpage and select [Find a Sales and Use Tax Rate by Address](#) under the *Current Tax Rates* section. The new rates will not be displayed until April 1, 2020. You can also call our Customer Service Center at 1-800-400-7115 (CRS:711) for assistance. Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

DISTRICT TAX RATE INCREASING				
Citywide	New Code	Acronym	Prior Rate	New Rate
City of Irwindale (located in Los Angeles County)	764	IRDL	9.500%	10.250%
City of Monrovia (located in Los Angeles County)	758	MNRV	9.500%	10.250%
City of Parlier (located in Fresno County)	756	PALR	7.975%	8.975%
City of San Bruno (located in San Mateo County)	766	SABN	9.250%	9.750%
City of Sierra Madre (located in Los Angeles County)	760	SEMD	9.500%	10.250%
City of South Pasadena (located in Los Angeles County)	762	SPAD	9.500%	10.250%

DISTRICT TAXES EXTENDED

Citywide	Code	Acronym	Tax Rate	Expiration Date
City of Lynwood (located in Los Angeles County)	590	LWDG	10.250%	Indefinite
City of Oakdale (located in Stanislaus County)	569	ODGT	8.375%	3/31/2031

Online Services Updates

Last year we released our new online services system for the following tax and fee programs:

- Alcoholic Beverage Tax
- Cigarette and Tobacco Products Tax
- Cigarette and Tobacco Products Licensing Program (Distributors, Importers, Manufacturers, and Wholesalers)
- Fuel Taxes (Aircraft Jet Fuel, Diesel Fuel including Interstate User Diesel Fuel Tax and International Fuel Tax Agreement (IFTA), Motor Vehicle Fuel, and Alternative Use Fuel)
- Oil Spill Response, Prevention, and Administration Fees
- Timber Yield Tax
- Underground Storage Tank Maintenance Fee

We continue to make improvements to our system and video tutorials are available to help you file a return, make a payment or prepayment, and gain access to your account(s). The video tutorials are available on our website at www.cdtfa.ca.gov/services/#Tutorials.

In fall 2020, we will add the following tax and fee programs to our new system:

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

This final release incorporates our remaining taxes and fees into our new online services system. Returns, schedules, and billing notices for the programs listed above will be available online and we will transition away from mailing paper returns. During the transition phase, our [website](#) directs you to the correct login page based upon your account type.

Beginning in fall 2020, online registration, sales tax filing, and payments will also be available in Spanish.

Please watch for future notifications and ensure your mailing address and email on file are current. For assistance with updating your mailing address or email, please call 1-800-400-7115 (CRS:711) or email us at STFRegUpdates@cdtfa.ca.gov.

Taxpayers' Bill of Rights Meeting

Anyone with ideas, suggestions, or concerns about the administration and oversight of California's business taxes and fees is invited to attend the CDTFA's annual Taxpayers' Bill of Rights meeting.

The meeting is held to receive public input regarding business taxes and fees including sales and use taxes, environmental fees, fuel taxes, cannabis taxes, and other excise taxes. Those interested in attending are invited to contact the Taxpayers' Rights Advocate Office by calling the toll-free number provided below, or by visiting www.cdtfa.ca.gov/tra. This year's meeting is scheduled for July 14, 2020, in Culver City.

Enacted in January 1989, the Harris-Katz California Taxpayers' Bill of Rights ensures that the rights of California taxpayers are protected during the assessment and collection of sales taxes. The Taxpayers' Bill of Rights was expanded in 1993 to include special tax and fee programs such as excise, fuel, and alcohol taxes.

For more information about the meeting and the rights of taxpayers provided by the Taxpayers' Bill of Rights, please visit the Taxpayers' Rights Advocate Office webpage at www.cdtfa.ca.gov/tra. You may also call the Taxpayers' Rights Advocate Office at 1-888-324-2798 if you are unable to resolve a problem through normal channels, such as speaking with a supervisor.

Exemption for Items and Materials Used to Modify Vehicles for Physically Handicapped Persons Expanded to Include Veterans with Severe Burn Injuries

Beginning July 1, 2020, and continuing through June 30, 2030, [Assembly Bill \(AB\) 1257](#) (Stats 2019, ch. 317) specifies that the definition of "physically handicapped persons" also includes specified eligible persons with a severe burn injury. If you are a retailer who sells property used to modify a vehicle for a physically handicapped person, including eligible persons with a severe burn injury, your sales may not be taxable.

For more information, please see our special notice, *Exemption for Items and Materials Used to Modify Vehicles for Physically Handicapped Persons Expanded to Include Veterans with Severe Burn Injuries*, at www.cdtfa.ca.gov/formspubs/L727.pdf.

Reporting Requirement for Sales Made on State-Designated Fairgrounds

In 2018, we informed retailers who make sales of merchandise on state-designated fairgrounds that they must also separately state the amount of those sales on their sales and use tax return. We want to help retailers that make sales on California state-designated fair property, “state-designated fairgrounds,” to correctly report those sales on their sales and use tax return. On your sales and use tax return simply enter the total amount of sales that were made at state-designated fairgrounds. This reporting requirement is for funding purposes only; **there is no additional tax due on these sales.**

We issued a new special notice that may help you with this reporting requirement; please see our special notice, *What You Need to Know: Reporting Requirement for Sales Made on State-Designated Fairgrounds*, at www.cdtfa.ca.gov/formspubs/L732.pdf.

Many Industry and Tax and Fee Guides Available Online

Did you know that we have more than 40 online Industry and Tax and Fee Guides? Our newest guide is the *Tax Guide for Photography*.

These guides cover a variety of topics to help you understand key issues that may be relevant to your business. They complement our many online [publications](#) which provide more detailed, specific answers to industry topics.

Check out our complete list of industry and tax and fee guides available on our webpage at www.cdtfa.ca.gov/industry/. Be sure to visit this webpage often, as we continuously add new information to better assist you.

Cannabis Donations

Beginning March 1, 2020, California law provides that cannabis retailers may donate medicinal cannabis or medicinal cannabis products to medicinal cannabis patients. Cannabis licensees (cultivators, manufacturers, and distributors) may donate medicinal cannabis to cannabis retailers for subsequent donation to medicinal cannabis patients without the payment of certain taxes.

- The cultivation tax does not apply to medicinal cannabis *only* when the cultivator designates the medicinal cannabis for donation in the California Cannabis Track-and-Trace system.
- The cannabis excise tax does not apply when the cannabis retailer donates medicinal cannabis to a medicinal cannabis patient.
- The use tax does not apply when the cannabis retailer donates medicinal cannabis to a medicinal cannabis patient, or when another licensee donates medicinal cannabis to a cannabis retailer for subsequent donation to a medicinal cannabis patient.

For more information on the requirements to donate medicinal cannabis, please see our special notice, *Donated Medicinal Cannabis Exempt from Taxes*, at www.cdtfa.ca.gov/formspubs/l729.pdf.

Sign Up to Receive Cannabis Updates

To ensure you receive the latest cannabis tax compliance news and CDTFA-issued special notices, news releases, and proposed regulatory changes, please sign up for the CDTFA Cannabis Outreach email listserv at www.cdtfa.ca.gov/subscribe.

Enhanced California Cigarette Tax Stamp Available March 2020

In March 2020, the CDTFA will be releasing a new cigarette stamp to distributors featuring an enhanced green to blue color-shifting effect on the left side of the stamp. Both the 20 and 25 denomination stamps will have the same color changes.

The new tax stamp contains the same colors (red-orange) and has the same security features as the current stamp except for the addition of the improved green to blue color-shifting ink on the left side of the stamp. The new ink has a much more evident color-shifting effect that is easy for inspectors and retailers to detect without the use of a special reader. However, to assist in even more accurate authentication of the stamp, a special low-cost, double filter validation device is available for purchase.

We recommend that you use your inventory of current stamps and sell your inventory of stamped cigarettes before using the new stamps.

For more information regarding cigarette tax stamp orders and the new stamp, please see publication 63, *Cigarette Distributor Licensing and Tax Stamp Guide*, at www.cdtfa.ca.gov/formspubs/pub63.pdf, and publication 403, *California Counterfeit-Resistant Cigarette Tax Stamp*, at www.cdtfa.ca.gov/formspubs/pub403.pdf.

Out-of-State Internet Retailers of Nicotine or Vape Products Containing Nicotine Must Hold a Cigarette and Tobacco Products Distributor License

An online retailer based outside of California selling *tobacco products* (excluding cigars) such as nicotine, electronic cigarettes, vape pens, eLiquid, or vape liquid or juice containing nicotine to California consumers is a *delivery seller* and is required to hold a Cigarette and Tobacco Products Distributor's License with the CDTFA. This license is also required for any person selling tobacco products (excluding cigars) remotely (for example, by mail, telephone, or Internet). Once licensed, tobacco products distributors are responsible for calculating, collecting, reporting, and paying the tobacco products tax to the CDTFA, on all sales of tobacco products to California consumers.

We will be updating our *Tax Guide for Cigarettes and Tobacco Products* with additional information regarding delivery sellers soon – please check our website periodically for updates.

Lead-Acid Battery Fees Program

The California Legislature recently passed [Assembly Bill 142](#) (Stats. 2019, ch. 860), which makes changes to the Lead-Acid Battery Fees Program.

California Battery Fee

- Beginning January 1, 2020, the California Battery Fee does not apply to a replacement lead-acid battery installed into a used motor vehicle that is sold or leased by a new motor vehicle dealer.

Manufacturer Battery Fee

- Beginning January 1, 2020, a manufacturer not subject to California jurisdiction may enter into a written agreement with an importer to pay the Manufacturer Battery Fee on behalf of the importer and claim the associated credits to offset potential hazardous waste liability.
- Effective April 1, 2022, the Manufacturer Battery Fee will increase from \$1 to \$2.

We have revised the California Battery Fee Return and the Manufacturer Battery Fee Return beginning with the first quarter 2020 reporting period as a result of the bill. The changes include the following new lines on the returns:

California Battery Fee Return

- Added an exemption line for new motor vehicle dealers.
- Added a line for batteries excluded from the fee.
- Added an excess fee line.

Manufacturer Battery Fee Return

- Added a line for manufacturers who agree to pay on behalf of an importer.
- Added a line for importers to report amounts paid by the manufacturer.
- Added a line for batteries excluded from the fee.

For more information, please see our special notice, *Changes to the Lead-Acid Battery Fees Program* at www.cdtfa.ca.gov/formspubs/l724.pdf.

Warranties

Are sales of warranties taxable?

Whether or not tax applies to the sale of a warranty generally depends on whether the warranty is mandatory or optional.

- A **mandatory warranty** is required to be purchased along with the product. If the customer cannot purchase the product without purchasing the warranty, the warranty is “mandatory.” The charge can either be separately stated or included in the selling price. If the sale of the product is subject to tax, the mandatory warranty is also taxable.
- An **optional warranty** may be purchased at an additional charge with the product. If the customer can purchase the product without buying the warranty, the warranty is “optional.” Optional warranties are generally not taxable. However, a separate charge for *Optional Software Maintenance Agreements*, for prewritten computer programs, are 50 percent taxable if any tangible property, such as a CD or other tangible media for software updates, is provided to the customer.

Does tax apply to warranty repairs?

Generally, tax does not apply to repair labor whether performed on a mandatory or optional warranty. However, tax may or may not apply to charges for repair parts furnished under the repair. If you, as the repairer, perform the maintenance or repair job under a mandatory warranty that you sold with the product, you may purchase the parts and materials for resale and no additional tax is due since tax was charged on the mandatory warranty. If you are not the seller of the mandatory warranty, and you perform repairs for a third party, such as the manufacturer, you may also purchase the parts for resale and your sale of the parts to the third party is not subject to tax.

However, if you perform repairs under an optional warranty and you are the seller of the warranty, then you are the consumer of the parts and materials. You should pay tax on your purchase of the parts and materials you use in the repairs or report use tax based on the cost of your parts on your sales and use tax return. If you are the repairer but not the seller of the optional warranty, the parts and materials you furnish is a sale at retail to the seller of the warranty, and tax applies to your sale of such property.

Additional information, including how tax applies to warranties with deductibles, may be found in publication 119, *Warranties and Maintenance Agreements*, at www.cdtfa.ca.gov/formspubs/pub119/.

How Tax Applies to Eyeglasses and Other Ophthalmic Materials

We want to remind optometrists, physicians, surgeons, and registered dispensing opticians that they are generally the consumer and not the retailer of prescribed ophthalmic materials. Ophthalmic materials include eyeglasses, frames, lenses, or their replacement parts. As a consumer, tax applies to the sale of these ophthalmic materials to you and you may not issue a resale certificate on these purchases to your vendors.

However, if you sell nonprescription eyewear, such as noncorrective sunglasses and lenses, or noncorrective contact lenses, you are considered the retailer of these ophthalmic materials. Tax applies to the sales of these items to your customers, and you may issue a resale certificate on these purchases to your vendors.

For more information on how sales and use tax applies to eyeglasses and other ophthalmic materials, please see Regulation 1592, *Eyeglasses and Other Ophthalmic Materials*, at www.cdtfa.ca.gov/lawguides/vol1/sutr/1592.html, and for more information regarding resale certificates, please see our publication 103, *Sales for Resale*, at www.cdtfa.ca.gov/formspubs/pub103/.

For More Information

All telephone numbers are toll-free.

Internet

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

Customer Service Center

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

Seller's Permit Verification

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

Taxpayers' Rights Advocate

1-888-324-2798
www.cdtfa.ca.gov/tra

Tax Evasion Hotline

1-888-334-3300

State Legislation

<https://leginfo.ca.gov>

More Articles Available Online

There are occasions when we have more articles than we have space for in this print version of the *Tax Information Bulletin*. The additional articles are available online at www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm.

New and Revised Publications Available Online

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

Follow Us on Social Media

