



# TAX INFORMATION BULLETIN

## Agency Restructured to Better Serve Taxpayers and FeePAYERS

Beginning July 1, 2017, most duties performed by the California State Board of Equalization (Board) were transferred to the newly created California Department of Tax and Fee Administration (CDTFA) and the Office of Tax Appeals. This restructure is a result of [Assembly Bill 102](#), *The Taxpayer Transparency and Fairness Act of 2017*, which was recently signed into law.

The Board will continue to perform the duties it was assigned by the state Constitution, which include administering certain programs related to property taxes, insurance taxes, and excise taxes on alcohol.

Until December 31, 2017, the Board will continue to hear taxpayer appeals on all types of tax and fee matters. However, beginning January 1, 2018, the Board will only hear appeals related to the programs it constitutionally administers, and the Office of Tax Appeals will hear appeals on all other tax and fee matters, such as franchise and income tax appeals, sales and use tax, and other special taxes and fees.

**Requirements to register, file, and pay taxes and to meet other obligations are the same as required prior to July 1, 2017; however, the agency administering that tax or fee may have changed. Schedules, forms, and payments will generally be the same during the transition. You will be notified of any future changes and are encouraged to visit CDTFA's website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov) for more information.**

Your patience during the transition is appreciated. Please call our Customer Service Center at 1-800-400-7115 (TTY:711) with any questions. Customer service representatives are available to assist you weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

## New Sales and Use Tax Rates Operative October 1, 2017

The tax rate changes listed below apply only within the indicated city or county limits. To find the correct tax rate for your area or business location, visit [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov) and click the [Find a Sales Tax Rate by Address](#) button. Please note that the new rates will not be available in the tax rate by address lookup tool until October 1, 2017.

However, prior to October 1, 2017, the new tax rates will be available to view and in a downloadable spreadsheet on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov). Scroll down to the ribbon and select *Taxes and Fees*, then click on *City & County Tax Rates*.

NEW DISTRICT TAXES				
Citywide	New Code	Acronym	Prior Rate	Rate as of 10/1/17
<b>City of Corcoran</b> (located in Kings County)	603	CRCG	7.25%	8.25%
<b>City of Lindsay</b> (located in Tulare County)	607	LDSD	7.75%	8.75%
<b>City of Seaside</b> (located in Monterey County)	605	SEDG	8.75%	9.25%
Countywide	New Code	Acronym	Prior Rate	Rate as of 10/1/17
<b>Los Angeles County</b> <i>(The 9.50 percent tax rate applies to all unincorporated areas and cities, and to the incorporated cities that do not impose a district tax.)</i>	594	LACH	9.25%	9.50%
City of Avalon	595		9.75%	10.00%
City of Commerce	596		9.75%	10.00%
City of Compton <sup>2</sup>	589		10.25%	10.25%
City of Culver City	597		9.75%	10.00%
City of Downey	598		9.75%	10.00%
City of El Monte	599		9.75%	10.00%
City of Inglewood	600		9.75%	10.00%
City of La Mirada <sup>2</sup>	586		10.25%	10.25%
City of Long Beach <sup>2</sup>	588		10.25%	10.25%
City of Lynwood <sup>2</sup>	590		10.25%	10.25%
City of Pico Rivera <sup>2</sup>	582		10.25%	10.25%
City of San Fernando	602		9.75%	10.00%
City of Santa Monica <sup>2</sup>	591		10.25%	10.25%
City of South El Monte	601		9.75%	10.00%
City of South Gate <sup>2</sup>	580		10.25%	10.25%

More new rates and footnotes on next page.

## CURRENT DISTRICT TAX DECREASING

City	Expiring Code	Expiring Acronym	New Code	New Acronym	Prior Rate	Rate as of 10/1/17
City of San Pablo (located in Contra Costa County) <sup>3</sup>	368	SPGT	609	SPRS	9.00%	8.75%

<sup>1</sup> Agoura Hills, Alhambra, Arcadia, Artesia, Azusa, Baldwin Park, Bell, Bell Gardens, Bellflower, Beverly Hills, Bradbury, Burbank, Calabasas, Carson, Cerritos, City of Industry, Claremont, Covina, Cudahy, Diamond Bar, Duarte, El Segundo, Gardena, Glendale, Glendora, Hawaiian Gardens, Hawthorne, Hermosa Beach, Hidden Hills, Huntington Park, Irwindale, La Canada-Flintridge, La Habra Heights, La Puente, La Verne, Lakewood, Lancaster, Lawndale, Lomita, Los Angeles, Malibu, Manhattan Beach, Maywood, Monrovia, Montebello, Monterey Park, Norwalk, Palmdale, Palos Verdes Estates, Paramount, Pasadena, Pomona, Rancho Palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, Rosemead, San Dimas, San Gabriel, San Marino, Santa Clarita, Santa Fe Springs, Sierra Madre, Signal Hill, South Pasadena, Temple City, Torrance, Vernon, View Park, Walnut, West Covina, West Hollywood, Westlake Village, and Whittier.

<sup>2</sup> The new district tax of 0.25 percent (Measure H—Sales Tax for Homeless Services and Prevention) is not operative in cities in which the maximum combined district tax rate is already imposed. However, for administrative purposes new codes are required. If a district tax imposed by any of these cities expires or is reduced while the Measure H tax is in effect, the Measure H tax will immediately become operative in that city. The Measure H tax is set to expire on September 30, 2027.

<sup>3</sup> The existing city tax of 0.50 percent decreases to 0.25 percent on October 1, 2017. A new code and acronym are required. The tax is set to expire on September 30, 2022.

## New Cannabis Taxes beginning January 1, 2018

To align the requirements for licensing and regulation of medicinal and adult-use of commercial cannabis, Proposition 64 was recently amended by Senate Bill (SB) 94. Among other changes, SB 94 repealed the *Medical Cannabis Regulation and Safety Act (MCRSA)* and included certain provisions of the MCRSA in the licensing provisions of Proposition 64. The consolidated provisions are now known as the *Medicinal and Adult-Use of Cannabis Regulation and Safety Act (MAUCRSA)*.

Beginning January 1, 2018, two new cannabis taxes apply as follows:

1. A 15 percent excise tax is imposed upon purchasers of cannabis and cannabis products. Retailers of cannabis and cannabis products are required to collect the 15 percent excise tax from the purchaser based on the average market price of any retail sale and pay it to their cannabis distributor.
2. A cultivation tax is imposed upon cannabis cultivators on all harvested cannabis that enters the commercial market. Cannabis cultivators are required to pay the cultivation tax to either their distributor or their manufacturer depending on the type of transaction (if the unprocessed cannabis is first sold or transferred to a manufacturer, then the cultivation tax is collected by the manufacturer and subsequently remitted to the distributor). The rate of the cultivation tax is:
  - \$9.25 per dry-weight ounce of cannabis flowers that enter the commercial market
  - \$2.75 per dry-weight ounce of cannabis leaves that enter the commercial market

## New requirements for distributors due to SB 94

Cannabis distributors are now required to collect and remit the cannabis excise tax and the cultivation tax to CDTFA. Therefore, if you are a cannabis distributor, you are required to:

- Register online with CDTFA for a cannabis tax permit (online registration should be available the end of November 2017).
- Register online with the CDTFA for a seller's permit, if you don't already have one.
- Beginning January 1, 2018, collect the 15 percent excise tax from cannabis retailers that you sell or transfer cannabis and/or cannabis products to. The excise tax is collected based on the average market price of any retail sale of cannabis and/or cannabis products.
- Beginning January 1, 2018, collect the cannabis cultivation tax from cultivators, or collect the cultivation tax from manufacturers if the cannabis is sold or transferred to a manufacturer first. The manufacturer is required to collect the cultivation tax from the cultivator when the cannabis is transferred or sold to the manufacturer.
- Electronically file both your cannabis tax return *and* your sales and use tax return and remit any amounts due to the CDTFA by the due date.

Please note, as a seller of tangible personal property in this state, you are required to have a seller's permit. If you do not already have a seller's permit, you can register online by using the "New Registration" button on the homepage of our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

Sign up for the CDTFA Cannabis Outreach email listserv at [www.boe.ca.gov/cannabis/subscribe/](http://www.boe.ca.gov/cannabis/subscribe/) to receive the latest news on cannabis tax compliance and related issues. The email listserv will also be used to inform those in the industry about opportunities to comment and weigh in on policy updates related to the taxation of cannabis and cannabis products.

Information will also be posted, as it becomes available, in the online *Tax Guide for Cannabis Businesses* at [www.boe.ca.gov/cannabis](http://www.boe.ca.gov/cannabis).

## Reminder of the Lead-Acid Battery Fee Registration Requirement

As of April 1, 2017, dealers, manufacturers, and importers who sell lead-acid batteries in California are required to collect and/or pay the new lead-acid battery fees at the time of the sale and must register with the CDTFA as a battery retailer and/or manufacturer. The lead-acid battery fees generally apply to sales of batteries typically designed for use in a vehicle, watercraft, aircraft, or equipment.

Registration is available online at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov). Use your current User ID and password to Login and "Manage Another Account," or select *New Registration* and follow the prompts to register for the new lead-acid battery fees program.

*Please note:* Manufacturers of lead-acid batteries may be considered retailers of lead-acid batteries if they sell at retail in California, and retailers may be considered manufacturers if they purchase and import lead-acid batteries from a manufacturer who is not subject to the jurisdiction of California. See the CDTFA online industry guide at [www.boe.ca.gov/industry/lead-acid\\_battery\\_fees.html](http://www.boe.ca.gov/industry/lead-acid_battery_fees.html) for more information.

## Are You Using The Correct Tax Measure and Tax Rate For CNG And LNG?

### Tax measure

The Use Fuel Tax Law requires compressed natural gas (CNG), sold at retail to the public for use as a motor vehicle fuel, be sold in a gasoline gallon equivalent (GGE) that is equal to 126.67 cubic feet, or 5.66 pounds measured at the standard pressure and temperature (14.73 PSI at 60°F) per unit. Liquefied natural gas (LNG) should be sold in a diesel gallon equivalent (DGE) that is equal to 6.06 pounds per gallon.

### Use fuel tax rate

Since January 1, 2015, the tax rate for CNG is \$0.0887 per GGE unit and the tax rate for LNG is \$0.1017 per DGE gallon. For more information, please call the Motor Carrier Office at 1-916-373-3008.

## New Tax Rates and Storage Tax Returns for Motor Vehicle and Diesel Fuels – Effective November 1, 2017

The Governor signed Senate Bill (SB) 1 (Stats. 2017, Ch. 5), *The Road Repair and Accountability Act of 2017*, which increases the excise tax rates on motor vehicle fuel (gasoline) and diesel fuel, and the sales and use tax rate on retail sales of diesel fuel effective November 1, 2017. In addition to the fuel tax rate increase, retailers, wholesalers, and suppliers will need to file a storage tax return and pay a storage tax on tax-paid gasoline or diesel fuel held in inventory for sale on November 1, 2017, at 12:01 a.m.

### Tax rates – motor vehicle fuel, diesel fuel, and sales and use tax

The excise tax rate for gasoline will increase from 29.7 cents (\$0.297) to 41.7 cents (\$0.417) per gallon (an increase of 12 cents (\$0.12) per gallon), the excise tax rate for diesel fuel will increase from 16 cents (\$0.16) to 36 cents (\$0.36) per gallon (an increase of 20 cents (\$0.20) per gallon), and the additional statewide sales and use tax rate imposed on retail sales of diesel fuel will increase from 1.75 percent to 5.75 percent (an increase of 4.00 percent). The tax rates are as follows:

EXCISE TAX RATES PER GALLON		
Type of Fuel	Through October 31, 2017	Effective November 1, 2017
Gasoline (Motor vehicle fuel)	29.7 cents (\$0.297)	<b>41.7 cents (\$0.417)</b>
Aircraft jet fuel <sup>1</sup>	2 cents (\$0.02)	2 cents (\$0.02)
Diesel fuel	16 cents (\$0.16)	<b>36 cents (\$0.36)</b>
Aviation Gasoline <sup>1</sup>	18 cents (\$0.18)	18 cents (\$0.18)

<sup>1</sup> Excise taxes on aircraft jet fuel and aviation gasoline are not subject to SB 1 rate increase.

SALES AND USE TAX RATES				
Type of Fuel	Prepayment per Gallon		Sales and Use Tax Rates	
	Through October 31, 2017	Effective November 1, 2017	Through October 31, 2017	Effective November 1, 2017
Gasoline <sup>1</sup> (Motor vehicle fuel)	5 cents (\$0.05)	5 cents (\$0.05)	2.25%	2.25%
Aircraft jet fuel <sup>1</sup>	8.5 cents (\$0.085)	8.5 cents (\$0.085)	7.25%	7.25%
Diesel fuel	18 cents (\$0.18)	25 cents (\$0.25)	9.00%	13.00%
Aviation Gasoline <sup>1</sup>	Not Applicable	Not Applicable	Not Applicable	Not Applicable

\* You must add district taxes where applicable. District tax rates for your area are available at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

<sup>1</sup> SB 1 only increases the sales and use tax rate on retail sales of diesel fuel.

## Storage Tax Return – Retailers, Wholesalers, and Suppliers

Retailers, wholesalers, and suppliers holding 1,000 or more gallons of tax-paid inventory will be responsible for payment of a storage tax on all tax-paid gasoline (excluding aviation fuel) or diesel fuel held in inventory for sale at 12:01 a.m. on November 1, 2017. The storage tax will be due on a per-gallon basis on gasoline or diesel fuel that has not been subject to the tax increase. Retailers, wholesalers, and suppliers will be required to file a return and pay the storage tax by January 1, 2018. The CDTFA will register taxpayers for the storage tax returns based on currently registered fuel sellers in the sales and use tax program. Returns will be mailed by mid-October 2017. Fuel sellers that sell both gasoline and diesel fuel will be registered for two storage tax accounts and will receive two storage tax returns as gasoline and diesel fuel must be reported on separate returns. It is important that each supplier, wholesaler, and retailer has an accurate inventory of gasoline and/or diesel fuel it owns on which the current tax rate of 29.7 cents (\$0.297) per gallon on gasoline, or 16 cents (\$0.16) per gallon on diesel fuel has been paid and which is held in transit or storage below the terminal rack for sale as of 12:01 a.m. on November 1, 2017.

If you are a fuel seller and do not receive a storage tax return by late October 2017, please contact the CDTFA at 1-800-400-7115 (TTY:711).

## Mid-Period Sales and Use Tax Rate Increase

Fuel retailers will be reporting sales of diesel fuel on their sales tax returns at two different rates for the fourth quarter 2017. Diesel fuel sales from November 1 through December 31 will be subject to an additional 4 percent tax. The CDTFA's online filing system will be updated to reflect these changes so that users may allocate sales to the proper periods and report sales at the correct rate.

### Prepayment of sales tax on diesel fuel

If you are a wholesaler, you are responsible for collecting the prepaid sales tax on sales of motor vehicle fuel and diesel fuel to other wholesalers or to retailers. Due to the increase in the sales and use tax rate on retail sales of diesel fuel, the prepayment rate of sales tax on diesel fuel sales is increasing effective November 1, 2017, to 25 cents (\$0.25) per gallon.

### For more information

If you have additional questions, please call the CDTFA Customer Service Center at 1-800-400-7115 (TTY:711). Customer service representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. For additional resources, please see Special Notice L-504, "New Tax Rates and Storage Tax Requirement for Motor Vehicle and Diesel Fuels," issued August 2017, or the *Tax Guide for Gas Station Operators* located in the Industry Guides section on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov). You may also view current and previous rates on our website.

## Centralized Revenue Opportunity System (CROS) Project

The Centralized Revenue Opportunity System (CROS) is an IT modernization effort which will replace our legacy systems, improve program processes, and enhance services for taxpayers and fee payers. FAST Enterprises was approved as the contractor for the project on August 30, 2016, and work is underway designing our new system which will include a new look and feel for our online services, as well as more self-service options. We will expand online return filing to all taxpayers and fee payers and offer enhanced services such as account maintenance, real-time access to account information, ability to amend returns, and online secure messaging to correspond directly with department staff.

Beginning in Spring 2018, our new online services will be available for the following tax and fee programs:

- Sales and Use Taxes,
- Lumber Products Assessment,
- Cigarette Retailer License Fee,
- Prepaid Mobile Telephony Services Surcharge for sellers other than direct sellers,
- Covered Electronic Waste Recycling Fee, and
- California Tire Fee.

We will continue to incorporate additional tax and fee programs up to our final implementation expected in the spring of 2020. For more information on the CROS Project, visit [www.boe.ca.gov/cros](http://www.boe.ca.gov/cros).

## 2017 Taxpayers' Bill of Rights Meetings

Taxpayers and tax practitioners were provided an opportunity to present suggestions and concerns at the annual Taxpayers' Bill of Rights Hearings, held in Irvine in July 2017 and in Sacramento in August 2017. At the business taxes meetings, comments were heard on the administration of sales and use taxes, environmental fees, fuel taxes and excise taxes administered by the CDTFA. At the property tax hearings, comments were heard on the property tax programs and laws administered by the BOE.

Archived webcasts of the proceedings may be accessed through the BOE website via the [Board Meeting Archive](#) page. You may also read responses to the presenters prepared by the Taxpayers' Rights Advocate and posted to the [2016 presenters](#) area of the Taxpayers' Bill of Rights Hearings webpage. The responses summarize the issues presented and explain how staff is working to address the concerns and suggestions.

Please visit the [Taxpayers' Bill of Rights Hearings](#) webpage to learn more about the hearings and find out how you can be notified when the 2018 hearing dates are scheduled. While this year's hearings are over, taxpayers can submit their ideas, concerns, or problems to the Advocate's office at any time by calling 1-888-324-2798, or visiting [www.cdtfa.ca.gov/tra](http://www.cdtfa.ca.gov/tra).

## For More Information

All telephone numbers are toll-free.

### Internet

[www.cdtfa.ca.gov](http://www.cdtfa.ca.gov)  
[www.taxes.ca.gov](http://www.taxes.ca.gov)

### Customer Service Center

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

### Seller's Permit

#### Verification

1-888-225-5263  
[www.cdtfa.ca.gov](http://www.cdtfa.ca.gov)

### Taxpayers' Rights Advocate

1-888-324-2798  
[www.cdtfa.ca.gov/tra](http://www.cdtfa.ca.gov/tra)

### Tax Evasion Hotline

1-888-334-3300

### State Legislation

<https://leginfo.legislature.ca.gov/>

California Department of  
Tax and Fee Administration  
PO Box 942879  
Sacramento, CA 94279-0001

**Revised Publications January through June 2017**

<b>Number</b>	<b>Title</b>	<b>Date</b>
Pub 17	Appeals Procedures: Sales and Use Taxes and Special Taxes	2-17
Pub 21 G	California State Board of Equalization (General)	4-17
Pub 22	Dining and Beverage Industry	3-17, 5-17, 6-17
Pub 25	Auto Repair Garages and Service Stations	1-17, 2-17
Pub 26	Tax Information Bulletin Index	1-17
Pub 34	Motor Vehicle Dealers	1-17
Pub 37	Graphic Design, Printing, and Publishing	2-17
Pub 44	District Taxes	1-17
Pub 46	Leasing Tangible Personal Property	4-17
Pub 47	Mobilehomes and Factory-Built Housing	1-17
Pub 48	Property Tax Exemptions for Religious Organizations	6-17
Pub 52	Vehicles and Vessels: Use Tax	4-17
Pub 53	Managed Audit Program	1-17
Pub 61	Sales and Use Taxes: Exemptions and Exclusions	2-17
Pub 66	Agricultural Industry	1-17, 6-17
Pub 76	Audits	4-17
Pub 78	Sales of Cigarettes and Tobacco Products in California	4-17
Pub 89 ST	EFT Quick Reference Guide for Special Taxes	3-17
Pub 93	Cigarette and Tobacco Products Taxes	4-17
Pub 103	Sales for Resale	1-17
Pub 105	District Taxes and Delivered Sales	1-17
Pub 118	Vending Machine Food Sales	1-17
Pub 123	California Businesses: How to Identify and Report California Use Tax Due	1-17
Pub 145	California Taxpayer Advocates (BOE, EDD, FTB, IRS)	1-17, 4-17
Pub 159 EFT	Guide to Online Filing for Sales and Use Tax EFT Accounts	1-17
Pub 177	Internet Auction Sales and Purchases	1-17
Pub 211 AA	Selling Cigarettes and Tobacco in CA - Norwalk	3-17, 6-17
Pub 211 AC	Selling Cigarettes and Tobacco in CA - Glendale	3-17
Pub 211 AS	Selling Cigarettes and Tobacco in CA - Culver City	5-17
Pub 211 EA	Selling Cigarettes and Tobacco in California - Irvine	4-17
Pub 211 EH	Selling Cigarettes and Tobacco in California - Riverside	3-17
Pub 211 FH	Selling Cigarettes and Tobacco in California – San Diego	6-17
Pub 215	Tax Appeals Assistance Program	5-17
Pub 316	Taxpayers' Rights Advocate's Annual Report	2015-16
Pub 317	Taxpayers' Bill of Rights Hearing Posters & Flyers	2017





Number	Title	Date
Pub 320	Citation Handbook	3-17
Pub 329	Economic Perspective	3-17, 6-17
Pub 372 EA	Basic Sales Tax Seminars - Irvine	1-17
Pub 372 EH	Basic Sales Tax Seminars - Riverside	1-17
Pub 372 FH	Basic Sales Tax Seminars - San Diego	1-17
Pub 373 EA	Sales and Use Tax Online filing classes - Irvine	1-17
Pub 373 EH	Sales and Use Tax Return Preparation - Riverside	1-17
Pub 388	Tax Information Bulletin	3-17, 6-17
Pub 403	New California Counterfeit-Resistant Cigarette Tax Stamp	3-17
Pub 422	Basic Sales and Use Tax Workshops and Online Filing Clinics	1-17
Pub 452	California Buyer's Guide to Tax	5-17
Pub 460	Basic Sales and Use Tax Seminars	2-17
Pub 473	Cigarette and Tobacco Products Retailers: Things to Know Before You Buy Products	4-17
Pub 542	News for Tax Practitioners	3-17
Pub 557 I	Tax Help for the Cannabis Industry (Insert) (1/3 sheet)	4-17
Pub 572	Direct Transmitter's Guide	6-17

### New Publications January through June 2017

Number	Title	Date
Pub 577	Nonprofit and Religious Organizations and Alcohol Sales	4-17

### Translated Publications January through June 2017

Number	Title	Date
Pub 31 C,K,S,V	Grocery Stores (Chinese, Korean, Spanish, Vietnamese)	10-16
Pub 44 S	District Taxes (Spanish)	1-17
Pub 54 C,K,S,V	Collection Procedures (Chinese, Korean, Spanish, Vietnamese)	12-16
Pub 74 K,S	Closing Out Your Account (Korean, Spanish)	11-16
Pub 103 S	Sales for Resale (Spanish)	1-17
Pub 116 S	Sales and Use Tax Records	10-16
Pub 120 K,S,V	Cell Phones and Other Wireless Telecommunication Devices (Korean, Spanish, Vietnamese)	10-16