



NEWS FOR TAX PRACTITIONERS

WHAT YOU NEED TO KNOW TO HELP YOUR CLIENTS SUCCESSFULLY OPERATE THEIR BUSINESSES

MISSION: We make life better for Californians by fairly and efficiently collecting the revenue that supports our essential public services.

This semiannual newsletter informs you of the recent changes to tax and fee programs administered by the California Department of Tax and Fee Administration (CDTFA) and other California state agencies that may affect your clients' businesses. This newsletter also provides efficient, accurate, professional tax information and guidance in preparing your clients' returns.

Firearm and Ammunition Excise Tax

New Excise Tax for Firearms Dealers, Ammunition Vendors, and Manufacturers of Firearms, Firearm Precursor Parts, or Ammunition

Beginning July 1, 2024, [Assembly Bill 28 \(Stats. 2023, ch. 231\)](#) requires licensed firearm dealers, ammunition vendors, and manufacturers to register for a Firearm and Ammunition Excise Tax (FET) Certificate of Registration with us and pay an excise tax of 11 percent of the gross receipts from the retail sale(s) of any firearm, firearm precursor part, or ammunition in California.

If your client plans to make any retail sales of firearms, firearm precursor parts, or ammunition in California on or after July 1, 2024, they can register with us through our online services beginning in mid-June 2024.

For more information, visit our *Tax Guide for Sellers of Firearm and Ammunition Products* at www.cdtfa.ca.gov/industry/sellers-of-firearm-and-ammunition-products.

Sales and Use Tax Exemption for Used Trailers in Interstate or Out-of-State Commerce

On October 8, 2023, [Assembly Bill 314 \(Stats. 2023, ch. 427\)](#) amended Revenue and Taxation Code (R&TC) [section 6388.5](#) by expanding the sales and use tax exemption for sales or purchases of certain new, used, or remanufactured trucks and new or remanufactured trailers and semi-trailers used exclusively out-of-state or in interstate or foreign commerce to also include sales and purchases of certain *used* trailers and semi-trailers. This bill also extended the sunset date of the exemption to January 1, 2029.

For more information, see special notice L-916, *Sales and Use Tax Exemption for Vehicles Used in Out-of-State or Interstate Commerce Expanded to Include Used Trailers and Semi-Trailers* at www.cdtfa.ca.gov/formspubs/L916.pdf.



Restaurants That Contract with Food Delivery Companies May Still Be Responsible to Report Tax on Sales of Meals

Food delivery companies, also known as delivery network companies, contract with restaurants to promote the sale of meals on a website or mobile application (platform), take a customer's order and payment, and deliver the meal to the customer. In general, the sale of hot prepared meals by a restaurant are taxable and the restaurant is responsible for reporting and paying tax on those sales. However, under the Marketplace Facilitator Act,¹ a delivery network company who contracts with restaurants for these services can elect to become a marketplace facilitator and take over the responsibility of reporting and paying the tax on sales made on their platform.

To ensure that restaurants do not report and pay the tax twice on sales made through a delivery network company, it is important to determine whether a delivery network company has elected to become a marketplace facilitator and is responsible for reporting and paying the tax. Restaurant owners can determine if a delivery network company is a marketplace facilitator by reviewing their contract or invoice, checking the company's website, or contacting the delivery network company directly. If the delivery network company with which the restaurant contracts has elected to become a marketplace facilitator in California, then the restaurant will not be required to report and pay the tax on any sales of meals made on the delivery company's platform. If the delivery network company with which the restaurant contracts has not elected to become a marketplace facilitator in California, the restaurant will generally be responsible for reporting and paying the tax.

For more information, visit our *Tax Guide for Marketplace Facilitator Act* at www.cdtfa.ca.gov/industry/MPFAct.htm and our *Tax Guide for Restaurant Owners* at www.cdtfa.ca.gov/industry/restaurant.htm#Topics on our website.

¹ www.cdtfa.ca.gov/lawguides/vol1/sutr/1684-5.html

New San Francisco Office Opened on January 8, 2024

On Monday, January 8, 2024, we opened our new San Francisco Office, located at 455 Market Street, Suite 620, San Francisco, CA 94105. The new office can be reached by phone at 1-415-356-6600 or by sending an email to SanFranciscoInquiries@cdtfa.ca.gov.

Our Customer Service Center can also be reached at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.



Cigarette and Tobacco Products Inspection

We conduct routine inspections to ensure businesses are complying with California's laws on the sales of cigarettes and tobacco products, and to ensure all appropriate excise taxes are documented and paid. These inspections help and protect consumers by ensuring that only legal and regulated products are sold. Watch our [What to Know About a Cigarette and Tobacco Products Inspection](#) video to learn about cigarette and tobacco products inspections. For more information regarding cigarettes and tobacco products, visit our [Tax Guide for Cigarettes and Tobacco Products](#) at www.cdtfa.ca.gov/industry/cigarette-and-tobacco-products.htm.

Username and Password Required to Access Online Services

On July 2, 2024, we will remove the *Limited Access Code* function from our online services system for customers with a *Limited Access Code* who currently file fiscal yearly returns. Removal of the Limited Access Code function enhances security and your client's overall online services customer experience while logged in. We recommend your client creates a logon prior to July 2, 2024. For additional information including scheduled removal dates, frequently asked questions, video tutorials for creating a username and password and requesting access to client's accounts, visit our [Limited Access Code Removal](#) webpage at www.cdtfa.ca.gov/taxes-and-fees/LimitedAccessCodeRemoval.htm.

If you or your client needs assistance with creating the username and password, contact our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.

Exemption Threshold Update for Retailers of Coins and Bullion

Recent legislation changed the effective date of adjustments to the bulk sales threshold amounts for monetized bullion, nonmonetized gold or silver bullion, and numismatic coins (coins and bullion). The effective date changed from January 1, 2023, to July 1, 2023. On and after July 1, 2023, sales of coins and bullion valued at \$2,000 and above are exempt from sales and use tax.

If your client collected tax on their bulk sales of coins and bullion valued at or above \$1,500 but less than \$2,000 during the first or second quarters of 2023, they must report and pay the full amount on their sales and use tax return(s) or refund any excess tax reimbursement to their customers. If your client previously reported and paid the tax to us and have refunded or plan to refund their customers the excess tax collected, they may file a claim for refund. Your client should retain documentation to support any excess tax refunded to their customers.

For more information on this change, see our special notice L-912 [Updates for Retailers of Coins and Bullion: Exemption Threshold Increase for Bulk Sales of Monetized Bullion, Nonmonetized Gold or Silver Bullion, and Numismatic Coins Now Effective July 1, 2023](#) at www.cdtfa.ca.gov/formspubs/L912.pdf.

Sales and Use Tax Exemption Extended for Water Common Carriers

The sales and use tax exemption on the sale of fuel and petroleum products (fuel) to water common carriers has been extended through December 31, 2028. Please see [Assembly Bill 543 \(Stats. 2023, ch. 442\)](#).

To qualify for the exemption, fuel sales must satisfy each of the following requirements:

- Be sold to a water common carrier with either a valid seller's permit or a timely secured fuel exemption registration number.
- Be sold for immediate shipment outside California.
- Be sold for consumption by the water common carrier in the conduct of its business after the first out-of-state destination.

To purchase exempt fuel, qualifying purchasers must provide an exemption certificate to the fuel vendor. See [CDTFA 230-K-1, Certificate E](#), at www.cdtfa.ca.gov/formspubs/cdtfa230k-1.pdf on our website to document the exempt sale. For more information on this exemption, see our special notice L-914, [Extension on Sales and Use Tax Exemption for Fuel Sold to Water Common Carriers](#) at www.cdtfa.ca.gov/formspubs/L914.pdf.



Qualified Purchaser Program

R&TC [section 6225](#) requires businesses that are "qualified purchasers" to register with us. Beginning January 1, 2024, through December 31, 2028, [Assembly Bill 1097 \(Stats. 2023, ch. 355\)](#) revises the definition of a qualified purchaser in an effort to reduce the number of taxpayers who need to register. The revision changes the requirements from a person who receives at least \$100,000 in gross receipts from business operations to a person who makes more than \$10,000 in purchases subject to use tax (excluding vehicles, vessels, or aircraft) per calendar year if the use tax imposed on those purchases has not otherwise been paid to a retailer required or authorized to collect the tax.

Your client must be registered with us to directly report and pay use tax if their business:

- Makes more than \$10,000 in purchases subject to use tax in the preceding calendar year, and
- Did not otherwise pay tax on those purchases to a retailer engaged in business in this state or authorized to collect the tax.

For more information, see our tax guide for Qualified Purchaser Program at www.cdtfa.ca.gov/taxes-and-fees/qualified-purchaser.htm on our webpage and special notice L-917, [Qualified Purchaser Now Defined as a Person Who Makes More Than \\$10,000 in Purchases Subject to the Use Tax per Calendar Year](#) at www.cdtfa.ca.gov/formspubs/L917.pdf.



Cannabis

District sales tax on retail sales and deliveries of cannabis or cannabis products

Generally, retail sales of cannabis or cannabis products made over the counter at a cannabis business are subject to any district sales taxes imposed in the district where the cannabis business is located. If your client also delivers cannabis or cannabis products to retail customers using their own vehicle, your client is generally required to collect, report, and pay any district tax at the rate in effect in the district where they make the delivery. (R&TC [section 7261](#) and Sales and Use Tax [Regulations 1823](#) and [1827](#).)

For more information, see our publication 44, *District Taxes (Sales and Use Taxes)* at www.cdtfa.ca.gov/formspubs/pub44.pdf and see our *Tax Guide for Cannabis Businesses* under the *Tax Facts* tab at www.cdtfa.ca.gov/industry/cannabis.htm#Facts.

New and Amended Cannabis Excise Tax Regulations

On December 15, 2023, the Office of Administrative Law approved [emergency Regulation 3802](#), *Gross Receipts from Sales of Cannabis and Cannabis Products*, and amendments to [Regulation 3700](#), *Cannabis Excise and Cultivation Taxes*. Regulation 3802 clarifies the meaning of the phrase “gross receipts of any retail sale by a cannabis retailer” for purposes of the cannabis excise tax imposed by R&TC [section 34011.2](#), on and after January 1, 2023. The amendment to Regulation 3700 clarifies that subdivision (i) of Regulation 3700 is inoperative on and after January 1, 2023. We encourage you and your clients to read the new and amended regulations in their entirety. For more information regarding cannabis taxes, visit our *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm#Overview.

Diesel and Motor Vehicle Fuel Taxes

Sales and use tax rate for diesel fuel changed October 1, 2023

On October 1, 2023, the temporary partial sales and use tax exemption (3.9375 percent) on the sale, storage, use, or other consumption of diesel fuel expired. The reduced sales and use tax rate of 9.062 percent returned to the full tax rate of 13.00 percent. For more information, see our special notice L-893, *Tax Rates for Motor Vehicle and Diesel Fuels* at www.cdtfa.ca.gov/formspubs/L893.pdf.

New fuel tax and fee guide

Please see our new online *Fuel Tax and Fee Guides* which encompass all our programs related to the fuel industry. Our guides will help you and your client find all the information needed in one place to better understand the tax, fee, and licensing obligations with us. To access our new guides, visit our *Fuel Tax and Fee Guides* at www.cdtfa.ca.gov/taxes-and-fees/fuel-tax-and-fee-guides/.

Sales and Purchases of Breast Pumps and Related Supplies Are Exempt from Sales and Use Tax

[Assembly Bill 1203 \(Stats. 2023, ch. 833\)](#) provides a sales and use tax exemption for sales and purchases of breast pumps and related supplies beginning April 1, 2024, through March 31, 2029. Retailers should not collect tax on these items during this period.

For more information, see special notice L-915, *Sales or Purchases of Breast Pumps and Related Supplies Are Exempt from Sales and Use Tax Effective April 1, 2024, through March 31, 2029* at www.cdtfa.ca.gov/formspubs/L915.pdf.

The Historic Venue Restoration and Resiliency Act

Beginning January 1, 2024, [Senate Bill 96 \(Stats. 2023, ch. 595\)](#) requires retailers who make sales of tangible personal property at a California confirmed historic venue (California Memorial Stadium at UC Berkeley, Hollywood Bowl, Los Angeles Memorial Coliseum, Rose Bowl Stadium, and San Jose State University Spartan/CEFCU Stadium) located in the County of Los Angeles, the County of Alameda, or the County of Santa Clara, during a qualified event to separately state the amount of those taxable sales on their sales and use tax return.

As a result, a new return line and [CDTFA-531-HV](#), *Schedule HV—Historic Venue Allocation*, will be available February 1, 2024, to report total taxable sales made on or within the real property of a confirmed historic venue during a qualified event. The information reported will be used for allocation and informational purposes only. There will be no additional tax or fee due on these sales.

For more information and a list of confirmed historic venues, see the *Historic Venues* guide on our website at www.cdtfa.ca.gov/industry/historic-venue.htm.

Alcoholic Beverage Tax

Beer Manufacturer Returns and Schedules

Beginning January 1, 2024, [Senate Bill 388 \(Stats. 2023, ch. 214\)](#) provides that any information contained in beer manufacturer returns and supplemental schedules filed on or after January 1, 2024, must be made public upon request. This includes names, addresses, and reported amounts. For those taxpayers filing as a natural person (such as a sole proprietor or partnership), your client’s name and address will be redacted. (Senate Bill 388 [Stats. 2023 ch. 214]). Your client may elect to prohibit the disclosure of their return and accompanying schedule information by selecting the option on their return to keep their information confidential starting with the January 2024 online return.

Reminder—Closing an Alcoholic Beverage Tax Account

Your client is generally required to have an alcoholic beverage tax account if they are required to have certain licenses issued by the [California Department of Alcoholic Beverage Control \(ABC\)](#). Please make sure your client cancels or surrenders their license with ABC prior to requesting to close an alcoholic beverage tax account with us.

For more information on cancelling or surrendering their ABC license, visit the [Surrender License](#) page on ABC’s website. For more information regarding alcoholic beverage tax accounts, visit our *Tax Guide for Alcoholic Beverage* at www.cdtfa.ca.gov/taxes-and-fees/alcoholic-beverage-tax.htm.

Emergency Telephone Users Surcharge

The 911 and 988 surcharge rates will remain at 30 cents (\$0.30) and eight cents (\$0.08), respectively, for the year 2024, according to the California Governor’s Office of Emergency Services (CalOES). These rates are effective from January 1, 2024, through December 31, 2024.

For more information, see our special notice, L-919, *2024 Emergency Telephone Users Surcharge Rates (911 and 988 Surcharges)* at www.cdtfa.ca.gov/formspubs/L919.pdf.

For the current and prior 911 and 988 surcharge rates, see our *Special Taxes and Fees Rates* webpage under the *Emergency Telephone Users Surcharge—911 Surcharge and 988 Surcharge* at www.cdtfa.ca.gov/taxes-and-fees/tax-rates-stfd.htm.

New Collection Authority for Certain Taxes and Fees Administered Under the Fee Collection Procedures Law

Beginning January 1, 2024, R&TC [section 55191](#) is added to the Fee Collections Procedure Law (FCPL) and authorizes us to hold a business owner that is subject to liability for sales and use tax to also be subject to liability for the same periods for taxes and fees administered under FCPL.

This new collection authority under FCPL R&TC section 55191 includes the following tax and fee programs: California Battery Fee, California Tire Fee, Cannabis Excise Tax, Covered Electronic Waste Recycling Fee, and Lumber Products Assessment. For more information on successor or predecessor liability, please see our many resources on our website at www.cdtfa.ca.gov including information in [Regulation 1702](#), *Successor’s Liability*.

Articles from Other State Agencies

Employment Development Department

Major Changes in 2024 to SDI Withholding

Effective January 1, 2024, [Senate Bill 951 \(Stats. 2022, ch. 878\)](#) removes the State Disability Insurance (SDI) taxable wage limit and the maximum withholding amount for each employee. The SDI rate for 2024 is 1.1 percent. For more information, visit [Contribution Rates, Withholding Schedules, and Meals and Lodging Values](#). To stay up to date with this and other California payroll tax news, visit the [California Employer News and Updates](#) webpage.



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