



**CDTFA**  
CALIFORNIA DEPARTMENT OF  
TAX AND FEE ADMINISTRATION

# Audits

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*Please note:* This publication summarizes the law and applicable regulations in effect when the publication was written. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this publication and the law, the decision will be based on the law and not on this publication.

# CONTENTS

<i>Section</i>	<i>Page</i>
Introduction	1
Audit Objective	2
Preliminary Arrangements	3
Initial Contact	3
Scheduling an Appointment	3
Statute of Limitations	3
Records that We May Review	4
Discussion with the Auditor	5
Examination and Testing	6
Audit Findings	8
Exit Conference	8
Notice of Audit Results	8
If You Disagree with the Audit Results	8
Prepaying an Amount Due	9
Billing or Refund Notice	10
Notice of Determination (Billing)	10
Interest and Penalties	10
Notice of Refund	10
Further Appeals Procedures (Publication 17)	11
For More Information	12
Appendix	14
Audit Objectives and Records Subject to Review	14–40

# INTRODUCTION

The information in this publication explains what you should expect from an audit and how you can prepare to make it easier for you and our auditor. It also discusses how to appeal an audit if you disagree with the results.

*\*Please note:* Both taxpayers and feepayers will be referred to collectively as taxpayers in this publication.

In general, accounts are subject to audits in three-year intervals, at the time a permit or license is closed out, or in connection with an audit of another permit or license held by the same taxpayer. We may also begin an audit as a result of information we receive from outside sources.

It is important to remember that the conduct of audits is governed by law and California Department of Tax and Fee Administration (CDTFA) policy. In particular, you should keep in mind that:

- Our auditors will impartially determine whether you have reported the correct amount of taxes or fees. Overpayments, as well as underpayments, are considered during an audit.
- Records for audits are required to be provided according to the provisions of [Regulation 1698](#) and [Regulation 4901](#).
- Our audit program is intended to correct errors that result in underreporting or overreporting and to inform you how to properly report your taxes or fees. During an audit, you may ask any questions you have about the law governing taxes or fees or your reporting requirements.
- Our auditors are expected to conduct audits in a professional, courteous, and helpful manner.
- Frequently, audits do not result in any change in tax or fee amount due.

Audits will vary depending on the type or size of a business and the issues involved. This publication is not intended as a comprehensive guide. For more detailed information, contact the division that administers the tax or fee about which you have questions (see [For More Information](#)). If you are scheduled for an audit, you should direct your questions to our auditor assigned to your account. We closely follow the policies and procedures provided in our audit and compliance manuals. These manuals, although technical by nature, are available for you to read and may help you follow the audit procedures being used in the audit. Both manuals can be viewed at [www.cdtfa.ca.gov/taxes-and-fees/staxmanuals.htm](http://www.cdtfa.ca.gov/taxes-and-fees/staxmanuals.htm). You can also ask our auditor to direct you to our publications written for your specific industry or to our industry-specific web pages, industry guides, and tax and fee guides. *For your protection, it is best to get tax advice in writing (see [For More Information](#)). Only written advice may protect you from owing tax, fee, interest, or penalties if we provide you with incorrect advice.*

When using this publication, for tax and fee programs other than sales and use tax, please note that there may be minor differences in some procedures, or that another state agency may be involved in your audit (see [Appendix](#) for listing of other programs). For more information on other tax and fee programs administered by us, visit our *Special Taxes and Fees* webpage at [www.cdtfa.ca.gov/taxes-and-fees/stfprograms.htm](http://www.cdtfa.ca.gov/taxes-and-fees/stfprograms.htm). Tax and fee guides are also available for many tax and fee programs by clicking the link of the listed program.

## AUDIT OBJECTIVE

The objective of an audit is to verify that you have correctly reported taxes or fees on your returns. The appendix describes what our auditor needs to determine in an audit and the types of records that may be requested for examination based on the type of tax or fee under consideration.

In a sales and use tax audit, for example, our auditor wants to determine the following about the returns you have filed:

- Did you report all gross receipts from sales of tangible personal property (merchandise) and taxable labor and services?
- Did you report the cost of all business equipment and supplies that you purchased without tax either from out-of-state vendors or for resale that would be subject to use tax?
- Did you properly claim deductions?
- Did you properly allocate local tax?
- Did you use the correct rate of tax when reporting sales in special tax districts?
- Did you properly apply tax to your sales and uses of tangible personal property?

Our auditor's goal is to answer these questions as accurately as possible in the minimum amount of time.



# PRELIMINARY ARRANGEMENTS

## Initial Contact

As a matter of policy, we rarely start an audit without providing you with prior notice. We have found that audits tend to be completed more efficiently when businesses have time to prepare.

Our initial contact is usually by phone. If we are unable to reach you by phone, our auditor may write or visit your business location. During the initial contact, our auditor will inform you of the audit period (usually three years) and will ask about your business operations, including the type of records that you keep. Our auditor will also inform you what business records you should have ready for the audit and will ask about a convenient date and location to begin the audit.

If you have tax and fee accounts other than a sales and use tax account with us, these accounts may be separately selected for audit. You may request to have all your accounts audited at the same time. Auditing all your accounts together may save time and resources, as some of the same records may be required to audit your different tax or fee accounts. Please inform our auditor before the initial appointment if you are interested in joint audits of your CDTFA accounts.

If you want the audit handled by your authorized representative, such as your accountant or bookkeeper, please inform our auditor during this initial contact. Our auditor can then arrange an appointment with your representative.

If we make an audit appointment by telephone, we will send you a letter confirming the start date of the audit. The letter will contain the website link to [publication 70](#), *Understanding Your Rights as a California Taxpayer*.

## Scheduling an Appointment

Auditors can be flexible about the start date and location of an audit. Normally, you can have up to two or three weeks to prepare. If you feel more time is needed, you can ask to delay the start date.

*Delays and Waivers:* Our auditor may request that you sign a *Waiver of Limitation* for significant delays. This is a document extending the legal requirements should additional taxes or fees be determined to be due within a prescribed three-year period. For most tax and fee programs administered by us, this will also allow you to file a claim for refund for the period covered by the waiver. If you request a delayed start date and there is a credit or refund involved, our auditor may also request that you sign a *Waiver of Credit Interest*. If you have questions about either waiver form, you should discuss them with our auditor.

Although we prefer to conduct the audit at your business location, the audit can be performed elsewhere. For example, the audit can be conducted at your accountant's office or at any one of our [offices](#).

If the audit is conducted at your business location, you should provide a space with a work surface, an electrical outlet, and adequate light. If the audit is conducted at our office, you will be required to leave all the needed records at our office and accept a receipt for your records. Even when the audit is not conducted at your business location, our auditor may still request a tour of your premises to get a better understanding of your operations.

## Statute of Limitations

In general, for all taxpayers filing returns (other than those taxpayers who do not hold a permit and elect to report use tax on the California income tax return), the statute of limitations is three years. However, for those taxpayers who do not file returns, the statute of limitations is eight years.

Amounts due and payable for tax reporting periods before January 1, 2003, may be covered by an extended statute of limitations if:

- You did not participate in the 2005 tax amnesty program, or
- We discover evidence of fraud or intent to evade tax.



Effective January 1, 2009, when we issue a billing (deficiency determination) to a responsible person of a terminated, dissolved, or abandoned corporation, partnership, limited partnership, or limited liability company, we will issue the billing in one of the following time periods (whichever is earlier):

1. Three years after the last day of the calendar month following the quarterly period in which we obtain actual knowledge of the entity's termination, dissolution, or abandonment. Knowledge can be obtained through our audit and compliance activities or written communication by the business.
2. Eight years after the last day of the calendar month following the quarterly period in which the entity was terminated, dissolved, or abandoned. If the business files a notice of termination, dissolution, or abandonment of the entity with a state or local agency other than us, that filing will not constitute actual knowledge by us of the filing.

For more information, please see [Regulation 1702.5](#), *Responsible Person Liability*.

## Records that We May Review

The types of records our auditors may review depend on the tax or fee program for which the audit is being conducted. Please refer to the [Appendix](#) for examples of the records our auditors may need to review and for information on what our auditors will try to determine while examining those records.

All records, even those you consider confidential, must be made available for review if the records contain information about your tax or fee amount due. If you refuse to provide your records, we may issue a subpoena. To protect your privacy, our employees are forbidden by law to reveal confidential information obtained during an audit to any unauthorized persons. Our employees who violate this law are subject to internal discipline and criminal prosecution.

### ***How long should I keep my business records?***

You should keep required records for at least *four years* unless we give you specific, written authorization to destroy them sooner.

If you are being audited, you should retain all records that cover the audit period until the audit is complete, even if that means keeping them longer than four years. In addition, if you have a dispute with us about how much tax you owe, you should retain those related records until that dispute is resolved. For instance, if you appeal the result of an audit or another billing (determination), or you file a claim for refund, you should keep your records while that matter is pending.

If you have a point-of-sale system that overwrites data after a period of time less than four years, you should transfer, maintain, and have available all data that would have been overwritten or otherwise removed from the system for the required time periods indicated above.

For more information, you may obtain a copy of [publication 116](#), *Sales and Use Tax Records*, [Regulation 1698](#), or [Regulation 4901](#) from [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

### ***Common problems with records***

If you have lost or have not kept all the records mentioned in the [Appendix](#), inform our auditor what records you do have. Our auditor may be able to obtain enough information from the available records. If not, you may be required to reconstruct the missing records, or our auditor may need to estimate the missing information (in some cases, records can be reconstructed from information supplied by suppliers or customers). You should also remember that if we find you owe additional taxes or fees because of inadequate recordkeeping, we may charge you a negligence penalty.

Our audits usually cover three years, so you may have some of your records in storage. Whether you should remove the records from storage will depend on our auditor's need for them. Often, records can be left at the storage location if they can be easily retrieved when requested by our auditor.

### ***Third-party proprietary data***

For audit purposes, we may obtain information about taxpayers from various sources including other state agencies, businesses, wholesalers, and data houses. Some of this information may include third-party proprietary data we cannot share with the taxpayer who is under audit.

In many industries, third parties compile data based on the financial transactions from individuals and companies for the purpose of selling the data. "Proprietary data" is the data not owned by us and is marked by a third-party contractor or provider with restrictive language asserting intellectual property rights. The data, including certain data provided to us in a subscription-based service, may be copyrighted, and distribution may be prohibited without the third-party's prior consent.

When our auditors rely upon third-party proprietary data in an audit, our auditors must inform the taxpayer they are doing so at the time the audit is being conducted. Our auditors must also provide the taxpayer information as to where they can obtain the data (the third-party source), when available.



### **Discussion with the Auditor**

Before starting the review of your records, our auditor will usually have some questions about your business operations and accounting methods. You should answer these questions as completely as possible. A full understanding of your business and accounting records will allow the auditor to more quickly and accurately complete the audit.

#### ***Managed Audit Program***

Our Managed Audit Program (MAP) allows certain businesses to conduct a type of self-audit with instructions and guidance from our auditor. However, MAP is not available for all of our tax and fee programs.

If you qualify for a managed audit and we approve your participation, you will enter into a MAP participation agreement and conduct many of the audit tasks that would ordinarily be performed by our auditor.

If you complete a managed audit and owe additional tax, some of our administered programs have a provision in the law to allow a reduced interest rate on the additional tax you owe. If you completed a managed audit, you will pay interest on the amount due at only *one-half the interest rate* that would otherwise apply. This may result in significant savings to you.

A MAP has other benefits, too. In a conventional audit, our auditor typically reviews your records at your place of business, during working hours. In a managed audit, *you can review your records at a time and location most convenient for you*, if you finish within the time specified.

For more information, [publication 53, Managed Audit Program](#), provides general information regarding our MAP as well as specific instructions for managed audit procedures. Prepayment accounts may now participate in a MAP, and we may grant relief for amounts due under [Revenue and Taxation Code section 6596](#) and similar provisions for select special tax and fee programs in cases where taxpayers who have participated in MAP relied on incorrect advice from us and did not pay amounts due.



## EXAMINATION AND TESTING

Our auditor usually starts the audit with a preliminary examination of your records. This examination gives our auditor some idea of what records are available and the procedures you use to record your transactions.

Our auditor then performs tests to determine if a complete audit is needed. For a sales tax audit, for example, our auditor may compare the:

- Total sales recorded on your books to the total sales reported on your sales tax returns.
- Total sales recorded on your books to the total sales on your income tax returns.
- Amount of tax you collected to the tax reported on your returns.
- Claimed sales for resale to resale customers.

Our auditor might also check your purchase invoices for equipment or supplies purchased without tax or might test your achieved markup on cost.

Amended returns filed after your account is assigned for audit are considered additional records for review. Payments made with amended returns are credited to your audit, thus stopping interest accrual on the amount paid.

Please see the [Appendix](#) for examples of the types of documents reviewed for tax and fee programs other than sales and use taxes.

### Prior Audits

Written advice we provided to you in a prior audit may be relied upon as “written advice from CDTFA” if the prior audit contains written evidence that demonstrates that the issue in question was examined, either in a sample or actual review.



### No Opinion Warranted (NOW)

Accounts that are considered for a routine audit may result in a No Opinion Warranted (NOW) result. A NOW result occurs when our auditor’s cursory review of your records indicates that no further review is warranted. The intent of the NOW is to save time for both you and our auditor when there appears to be no need for an in-depth review of your records. However, a NOW is not an audit report; our auditor may not have examined all your transactions, which means that there may be transactions that you might not be reporting correctly.

As stated above, the law provides that a person may be relieved from taxes, fees, penalties, or interest if a person does not report tax and/or fee on a transaction or activity is due to that person’s reasonable reliance on written advice from us. In general, due to the limited scope of the NOW review, if a routine audit results in a NOW and our auditor does not prepare any working papers, schedules, or other written information, you are not considered to have received any “written advice from CDTFA” for you to rely upon for purposes of relief from liability.

However, there may be instances in which a NOW includes a more thorough review of your transactions and the comments, schedules, and/or working papers prepared during that review indicate that you are reporting taxes or fees on those transactions correctly. As a result of that type of situation, a NOW therefore may contain written advice from us. However, whether a NOW qualifies as written advice from us will be determined on a case-by-case basis.

In addition to verifying that you have correctly reported taxes or fees on your returns, our auditor is also available to assist you in understanding the laws and regulations that apply to your business. Therefore, if you have any questions

about the application of taxes or fees to a particular transaction or activity, you should ask our auditor before we begin the audit review. Further, if you would like a written response from us, you may submit your tax or fee questions to us in writing for a written response.

For additional information, see [CDTFA-8](#), *Get It in Writing*.

## Use of Prior Audit Percentages of Error in Current Audits

Under certain circumstances, we can use a percentage of error developed from prior audits of your business for the sales or accounts payable portion of the current audit. This allows us to be more efficient and reduce the burden on those being audited.

If your audit meets the criteria, our auditor and audit supervisor will contact you and explain the program in detail. Upon your approval for us to use the prior audit percentage of error, we will provide you with a detailed outline that indicates why your audit was eligible for this program.

The use of a prior audit percentage of error can be used in two subsequent audits.

## Computer-assisted Audits

If you keep your records in electronic form, we can more readily assess the accuracy of your tax reporting by examining those electronic records. We call this a “computer-assisted audit” (CAA). Businesses usually find this method less time-consuming and more convenient than a conventional audit. Among other things, it dramatically reduces the volume of paper documents required.

In a CAA, we examine your electronic records in addition to some of your paper records. You will download data, and we will analyze it using specialized software. We will provide guidance and work with your information systems staff to make sure the data is downloaded in a format we can use.

For more information, please see [publication 147](#), *What to Expect in a Computer-Assisted Audit*.

## In-depth Review

If our tests of your records indicate possible reporting errors, our auditor may decide that a more complete examination is needed. This examination could be on an actual basis (looking at every transaction) or on a sample basis (looking at selected transactions).

For a sample basis audit, our auditor generally tries to use a statistical sample. Under this method, the auditor randomly selects enough transactions to draw a conclusion about all the transactions under review. For example, we may randomly select invoices for a portion of your sales to determine how accurately you have reported tax on all your sales. If your records are not suitable for a statistical sample, our auditor may use some other sampling method. In general, when using a sampling method, our auditor should discuss the sampling elements with you before finalizing the plan.

Whether our auditor reviews your records on an actual or sample basis depends on the type, size, complexity, and accounting methods of your business. Sampling is normally used when an actual basis review would take too much time. In many cases, our auditor will use both methods on the same audit. For example, we may review your asset purchases on an actual basis and use a sample to review sales.

In addition to sampling, our auditor may use a variety of other methods to review your records. Our auditor can answer any questions that you or your authorized representative may have about our audit methods and procedures. You may also contact our auditor’s supervisor for answers to your questions if you believe our auditor has not adequately addressed your concerns.

You should inform our auditor about any disagreements you have with the audit findings. In many cases, you can resolve those disagreements by providing our auditor with more information.

# AUDIT FINDINGS

## Exit Conference

When the audit is complete, our auditor will arrange to hold an exit conference with you and/or your authorized representative. Our auditor's supervisor may also attend. At this conference, we will explain any proposed refunds or additional taxes or fees or inform you that your returns have been accepted as filed.

Even if you have a representative, you should consider attending the exit conference. It will give you a chance to fully review the audit working papers. You can also ask any additional questions you have about the audit process and obtain information about how the law applies to your business. This information may help you to properly report taxes or fees.

Our auditors are required to provide you copies of all the audit working papers they prepared and will normally include an indexed set of schedules documenting the tests and examination procedures used in the audit. The audit working papers should also include the auditor's narrative comments describing your records, explaining the purposes of the tests conducted, and interpreting the findings of the tests.

You should inform our auditor if you agree or disagree with our audit findings. As explained later, you will be given an opportunity to discuss your reasons with our auditor's supervisor or another of our representatives.

## Notice of Audit Results

If it is determined that you do not owe taxes or fees or you are not entitled to a refund, you will receive a letter stating that your returns have been accepted as filed.

If our auditor determines that you owe taxes or fees or are entitled to a refund, our auditor will prepare a *Report of Field Audit* or a *Report of Investigation* that summarizes those findings. If you have indicated you agree with the audit findings, the report will be reviewed for accuracy and completeness. Based on the audit findings, you will later receive:

- A *Notice of Determination (billing)*, or
- A *Notice of Refund*

See [Billing or Refund Notice](#) for more information on each type of notice and your appeal rights.

You should keep your copies of the audit report and the audit working papers for at least four years.

## If You Disagree with the Audit Results

If you inform us that you disagree with the audit results, our auditor will generally defer preparing the final audit report and allow you a reasonable amount of time to provide additional information to support your argument. You should clearly explain why you disagree and ask our auditor about the documentation you need to support your position. Once our auditor has considered your reasons and documentation, we may:

- Adjust the audit results,
- Request more information and arrange for another discussion, or
- Recommend the next step in resolving the dispute: discussion with our audit supervisor.



### ***Discussion with the Audit Supervisor***

Our auditor will inform their supervisor that you want to discuss the audit, and the audit supervisor will call you to schedule a meeting. At this meeting, you may explain why you disagree with the audit results and suggest what should be done to resolve the disagreement. You should also present any documents that support your position.

After considering your reasons, our supervisor will decide whether the audit results should be adjusted and will discuss any proposed adjustments with you. You should inform our auditor if you still disagree with the findings.

Following the meeting, our auditor will prepare the *Report of Field Audit* or *Report of Investigation* that summarizes the final audit findings. If the report notes you do not agree with the audit results, you will be given the opportunity to meet with our representative to discuss your disagreement.

### ***Discussion with our Representative***

If the audit report notes that you do not agree with our audit results, you will receive a letter that gives you ten days to make an appointment with our representative identified in the letter.

If you do not respond **within ten days**, we will assume that you agree with the audit and the *Report of Field Audit* or *Report of Investigation* will be sent for processing and billing, or refund.

Since this discussion is the last step before you receive a billing or refund notice from us, you should present any information that you feel can resolve the disagreement.



As with the meeting with our audit supervisor, our representative may recommend a change to your tax refund or tax amount due if the information you provide at that time is found acceptable. Any adjustments we propose will be discussed with you. Next, our representative will review the issues involved to determine whether the audit is correct. Depending on the findings, our representative will then recommend that a *Notice of Determination (billing)* or *Notice of Refund* be issued as applicable.

## **Prepaying an Amount Due**

Whether you agree or disagree with the audit findings, you may wish to prepay the proposed liability to avoid the additional accrual of interest. For most amounts due, payments are first applied to the amount of tax or fee owed. Interest will continue to accrue on the amount of tax or fee still owed. Once the tax or fee amount is paid in full, interest will stop accruing. However, we apply payments on motor vehicle fuel tax liabilities, including aircraft jet fuel tax, first to interest charges, then penalty charges (if any), and last to the tax amount due. Therefore, for motor vehicle fuel tax liabilities, you must pay the entire amount due to stop interest from accruing. You may prepay the full amount due, or a portion thereof, prior to receipt of a billing notice by submitting a [CDTFA-1, Audit Payment Information](#), which is available at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov) or from our auditor. This form contains more information on prepayments. We do not presume that prepayment of the amount due indicates your agreement with the audit results.

# BILLING OR REFUND NOTICE

## Notice of Determination (Billing)

If you receive a *Notice of Determination (billing)* indicating that you owe additional taxes or fees, please note the issue date of the billing notice. Within 30 days of that date, you must either:

- Pay the billed amount, or
- File an appeal (*petition for redetermination*) if you disagree with the billing.

If you do not take either action within that time period, you will be assessed a penalty equal to *ten percent of the unpaid taxes or fees due*. If you do not pay the billed amount, we may take collection actions, including filing liens or levies. For information on the collection process, please refer to [publication 54, \*Collection Procedures\*](#).

If you miss the 30-day deadline, you cannot file an appeal (*petition for redetermination*) and must pay the billed amount. However, you can appeal your payment by filing a claim for refund for each payment. For more information, see [publication 17, \*Appeals Procedures: Sales and Use Taxes and Special Taxes and Fees\*](#).

### *Interest charges*

If you appeal the billing (*Notice of Determination*) (that is, you file a petition for redetermination), you should consider paying the billed tax or fee amount, or at least the undisputed portion. This is because interest charges begin accruing on the unpaid tax or fee amount after the date of the notice and will continue to accrue even though you file a petition for redetermination. If you are successful in your appeal, any overpaid tax or fee will be refunded with interest. Although most petitions are decided in less than a year from the date the petition is first acknowledged, some cases may take several years to be resolved. If you think you may have difficulty paying a billing, please contact our office.

You may call our Customer Service Center at 1-800-400-7115 (CRS:711) or check our website for information on the current interest rates for unpaid amounts due and refunds. You can also call our Customer Service Center for information on the status of your appeal or to request the amount of interest that has accumulated to date. You can also use our [online interest calculator](#) at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov). Select *Tax Resources*, then choose *Calculators* from the dropdown, then select *Interest* under *Calculate*.

## Interest and Penalties

For more information regarding audit interest and penalties, please review [publication 75, \*Interest, Penalties, and Collection Cost Recovery Fee\*](#).

## Notice of Refund

Before we can issue you a refund, we must determine whether you have an outstanding liability with us or any other state agency. If you do have such a liability, we may be required to transfer enough of the refund amount to cover your outstanding liability. A warrant for the refund amount will be issued by the State Controller and sent with the notice. This usually occurs four to eight weeks after you receive the *Report of Field Audit*.

If you believe you are entitled to a larger refund, you must file a claim for refund with us. For more information, please review publication 17.



## FURTHER APPEALS PROCEDURES (PUBLICATION 17)

The steps involved in an appeal after this point are explained in more detail in [publication 17, Appeals Procedures: Sales and Use Taxes and Special Taxes and Fees](#). If you have not already received a copy, you should ask our auditor for a copy, or you may download a copy from [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

If you do appeal, you should carefully read all notices and letters we send to you. You must respond within the stated time limits, or we may deny your appeal.

### Proposing a Settlement of a Disputed Amount Due

While you are pursuing an appeal, you may also propose a settlement of your case.

Publication 17, provides information on our settlement program.

### Offer in Compromise

Our Offer in Compromise (OIC) program is for taxpayers that do not have, and will not have in the foreseeable future, the income, assets, or means to pay their amount due in full. Our OIC program allows taxpayers the ability to offer a lesser amount for payment of an undisputed final tax amount due on a closed-out account.

Effective January 1, 2009, through January 1, 2028, our OIC program will also entertain offers on qualified open active accounts where we find no evidence that the taxpayer has collected an amount for tax, fee, or surcharge and the taxpayer has not previously received a compromise.

[Publication 56, Offer in Compromise](#), available on our website, also provides additional information about our OIC program.





## FOR MORE INFORMATION

For additional information or assistance, please take advantage of the resources listed below.

### CUSTOMER SERVICE CENTER 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. In addition to English, assistance is available in other languages.

### OFFICES

Please visit our website at [www.cdtfa.ca.gov/office-locations.htm](http://www.cdtfa.ca.gov/office-locations.htm) for a complete listing of our office locations. If you cannot access this page, please contact our Customer Service Center at 1-800-400-7115 (CRS:711).

### INTERNET

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

You can visit our website for additional information—such as laws, regulations, forms, publications, industry guides, and policy manuals—that will help you understand how the law applies to your business.

You can also verify seller's permit numbers on our website (see [Verify a Permit, License, or Account](#)).

Multilingual versions of publications are available on our website at [www.cdtfa.ca.gov/formspubs/pubs.htm](http://www.cdtfa.ca.gov/formspubs/pubs.htm).

Another good resource—especially for starting businesses—is the California Tax Service Center at [www.taxes.ca.gov](http://www.taxes.ca.gov).

### TAX INFORMATION BULLETIN

The quarterly *Tax Information Bulletin* (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current TIBs on our website at [www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm](http://www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm). Sign up for our [CDTFA updates](#) email list, and receive notification when the latest issue of the TIB has been posted to our website.

### FREE CLASSES AND SEMINARS

We offer free [online](#) basic sales and use tax classes including a tutorial on how to file your tax returns. Some classes are offered in multiple languages. If you would like further information on specific classes, please call your local office.

### WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

For written advice on general tax and fee information, please visit our website at [www.cdtfa.ca.gov/email](http://www.cdtfa.ca.gov/email) to email your request.

You may also send your request in a letter. For general sales and use tax information, including the California Lumber Products Assessment, or Prepaid Mobile Telephony Services (MTS) Surcharge, send your request to: Audit and Information Section, MIC:44, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0044.

For written advice on all other special tax and fee programs, send your request to: Program Administration Branch, MIC:31, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0031.

### TAXPAYERS' RIGHTS ADVOCATE

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see [publication 70](#), *Understanding Your Rights as a California Taxpayer*, or contact the [Taxpayers' Rights Advocate Office](#) for help at 1-888-324-2798. Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0070.

## Regulations, Forms, and Publications

### *Lists vary by publication*

Selected [regulations](#), [forms](#), [publications](#), and [industry guides](#) that may interest you are listed below. Certain publications in other languages are also available online.

### Regulations

- 1698 *Records*
- 1702 *Successor's Liability*
- 1702.5 *Responsible Person Liability*
- 1702.6 *Suspended Corporations*
- 1703 *Interest and Penalties*
- 1705 *Relief from Liability*
- 1705.1 *Innocent Spouse or Registered Domestic Partner Relief from Liability*

### Publications

- 17 *Appeals Procedures: Sales and Use Taxes and Special Taxes and Fees*
- 53 *Managed Audit Program*
- 54 *Collection Procedures*
- 70 *Understanding Your Rights as a California Taxpayer*
- 75 *Interest, Penalties, and Collection Cost Recovery Fee*
- 147 *What to Expect in a Computer-Assisted Audit*

## Addresses to Request Written Advice

*For written advice, please write to the appropriate section or branch.*

### Sales and Use Taxes

**Audit and Information Section MIC:44**  
**PO Box 942879**  
**Sacramento, CA 94279-0044**  
1-800-400-7115 (CRS:711)

Sales and Use Taxes  
Use Tax  
Lumber Products Assessment  
Prepaid Mobile Telephony Services (MTS)  
The Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act (Proposition 19)

### Special Taxes and Fees

**Program Administration Branch MIC:31**  
**PO Box 942879**  
**Sacramento, CA 94279-0031**  
1-800-400-7115 (CRS:711)

Aircraft Jet Fuel Tax  
Alcoholic Beverage Tax  
California Cigarette and Tobacco Products Licensing Act of 2003  
California Electronic Cigarette Excise Tax  
California Tire Fee  
Cannabis Taxes  
Childhood Lead Poisoning Prevention Fee  
Cigarette and Tobacco Products Tax  
Covered Electronic Waste Recycling Fee  
Diesel Fuel Tax  
Emergency Telephone Users Surcharge  
Energy Resources Surcharge  
Environmental Fee  
Hazardous Waste Environmental Fee  
Hazardous Waste Facility Fee  
Hazardous Waste Generation and Handling Fee  
Integrated Waste Management Fee  
International Fuel Tax Agreement (IFTA)  
Interstate User Diesel Fuel Tax  
Lead-Acid Battery Fees  
Lithium Extraction Excise Tax  
Marine Invasive Species (Ballast Water) Fee  
Motor Vehicle Fuel Tax  
Natural Gas Surcharge  
Occupational Lead Poisoning Prevention Fee  
Oil Spill Response, Prevention, and Administration Fee  
Tax on Insurers  
Timber Yield Tax  
Underground Storage Tank Maintenance Fee  
Use Fuel Tax  
Water Rights Fee

## APPENDIX

Audit objectives and records subject to review. Additional records may be required on a case-by-case basis.

<i>Section</i>	<i>Page</i>
Aircraft Jet Fuel Tax	15
Alcoholic Beverage Tax	16
California Electronic Cigarette Excise Tax	17
California Tire Fee	18
Cannabis Taxes (including Cultivation Tax)	19–20
Cigarette and Tobacco Products Tax	21–22
Covered Electronic Waste Recycling Fee	23
Diesel Fuel Exempt User	24
Diesel Fuel Tax Supplier	24
Diesel Fuel Ultimate Vendor	25
Diesel Interstate User	26
Emergency Telephone Users Surcharge — Service Suppliers and Direct Sellers	27
Energy Resources Surcharge	28
Environmental Fee	28
Hazardous Substances Generation and Handling Fee, and Facility Fee	29
Integrated Waste Management Fee	30
International Fuel Tax Agreement (IFTA)	31
Lead-Acid Battery Fees	32
Lithium Extraction Excise Tax	33
Lumber Products Assessment	34
Motor Vehicle Fuel Tax	35
Natural Gas Surcharge	35
Oil Spill Response, Prevention, and Administration Fees	36
Prepaid Mobile Telephony Service Retailer	37
Sales and Use Taxes	38
Timber Yield Tax	38
Underground Storage Tank Maintenance Fee	39
Use Fuel Tax	40

If you are registered under a tax or fee program that is not listed here, please contact us for information on the records that our auditors will need to examine. See [page 13](#) for telephone numbers and addresses of the appropriate section or branch.

Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Aircraft Jet Fuel Tax**

- Did you report the total gallons of jet fuel you sold?
  - Did you report the gallons of aircraft jet fuel used by you as an aircraft jet fuel user?
  - Did you correctly report the number of gallons of aircraft jet fuel sold to the United States Armed Forces?
  - Did you correctly report the number of gallons of aircraft jet fuel sold to aircraft manufacturers?
  - Did you correctly report the number of gallons of aircraft jet fuel sold to air common carriers?
  - Did you correctly report the gallons of aircraft jet fuel exported?
  - Did you correctly report the gallons of aircraft jet fuel sold to registered aircraft jet fuel dealers?
- Books of account relating to aircraft jet fuel purchased or produced and sales of aircraft jet fuel, including general ledger accounts, purchase and sales journals, purchase and sales invoices, bills of landing, purchase orders, and contracts.
  - A record of all imports and exports of aircraft jet fuel.
  - Physical inventory records of aircraft jet fuel.
  - Copies of common carrier exemption certificates.
  - A record of all sales to the United States Armed Forces including supporting purchase orders, sales invoices, and contracts.
  - Copies of contracts with aircraft jet fuel suppliers on into-plane programs and/or other fueling services of branded aircraft jet fuels.



Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Alcoholic Beverage Tax**

*Winegrowers and Importers of Beer or Wine*

- Did you report removals of wine from internal revenue bond on payment of federal internal revenue tax?
- Did you report imports and exports into or out of California?
- Did you report total sales of beer or wine?
- Did you properly report claimed exemptions?
- Did you perform the required physical inventory of all wine and distilling spirits?

- Books of accounts, including income statements, balance sheets, general ledgers, purchase and sales journals, receiving logs, detailed physical inventory records, and other summary records of your business operations.
- Federal excise tax returns.
- Original documents that support the entries made in the types of records listed above (such as sales and purchase invoices and bills of lading).
- Copies of returns you have filed with us and the working papers and schedules used to prepare the returns.

*Beer Manufacturers*

- Did you report federal tax-paid beer removals from the bonded brewery premises?
- Did you report all imports and exports into or out of California?
- Did you report total sales of beer?
- Did you properly report claimed exemptions?
- Did you perform the required physical inventory of all bulk and bottled beer?

*Distilled Spirits*

- Did you report total sales of distilled spirits?
- Did you report inventory transactions of distilled spirits?
- Did you properly report claimed exemptions?
- Did you perform the required physical inventory of distilled spirits?



Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**California  
Electronic  
Cigarette  
Excise Tax**

- Did you report all gross receipts from sales of electronic cigarettes containing or sold with nicotine?
- Did you include sales from all retail locations?
- Did you use the correct tax rate when selling electronic cigarettes containing or sold with nicotine?
- Did you properly apply the tax rate to your sales of electronic cigarettes containing or sold with nicotine?
- If you collected more excise tax than the amount due calculated on your tax return, did you properly report the excess excise tax collected?

- Copies of the tax returns filed with us, the worksheets, and supporting schedules used to prepare the returns.
- Books of account, including your income statements, balance sheets, general ledgers, and other summary records of your business operations, including state and federal income tax returns.
- Original documents that support the entries to your books, such as sales and purchase invoices, purchase orders, bills of lading, credit memos for returned product, contracts, bank statements, credit card statements, cash register tapes, and any other documents that result from your business operations.
- Point of Sale (POS) records.
- Records supporting any transactions where the California Electronic Cigarette Excise Tax was not collected.





Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**California  
Tire Fee**

- Did you report all new retail tires sold?
  - Did you properly include all self-consumed tires and company-warranted tires?
  - Did you properly exclude wholesale tires sold?
  - Did you properly include tires affixed to new or used motor vehicles, trailers, and construction or farm equipment?
- Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns.
  - Original documents that support the entries to your books, such as sales invoices, credit memos, purchase orders, and other documents that result from your business operations.
  - Sales or other reports showing the quantity of retail and wholesale tires sold.
  - Copies of returns filed with us, and the working papers and schedules used to prepare the returns.
  - Inventory records and supporting documentation.



Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically and in the California Cannabis Track-and-Trace System):

**Cannabis Excise Tax (Prior to January 1, 2023)**

- Was the cannabis excise tax reported and paid by distributors to us for cannabis or cannabis products sold or transferred by the distributor prior to January 1, 2023, to a cannabis retailer?
- Did the distributor properly calculate the average market price of the cannabis and cannabis products?
- Did the distributor report the average market price of all cannabis and cannabis products sold or transferred to a cannabis retailer during the reporting period?
- Did the distributor properly report any excess cannabis excise tax collected from a cannabis retailer?
- Did the distributor properly report any credits for excess cannabis excise tax collected, paid to us, and subsequently returned to the cannabis retailer?

- Copies of returns filed with us and the worksheets and supporting schedules used to prepare the electronic Cannabis Tax Returns.
- Worksheets used to calculate the average market price of the cannabis or cannabis products, *if applicable*.
- Books of account, including applicable income statements, balance sheets, general ledger, monthly inventory reports, copies of retail receipts, and other summary records of business operations.
- Original documents that support applicable book entries, such as sales invoices, purchase invoices, purchase orders, bills of lading, manifests for transfers of cannabis or cannabis products, credit memos for returned product, bank statements, cancelled checks, cash distribution records, credit card statements, and any other documents that result from relevant business operations.
- All electronic point-of-sale records that include transactional data.
- Records that support any cultivation tax returned to the cultivator that paid it, or cannabis excise tax returned to the cannabis retailer or purchaser.
- Records that support any credits taken for excess cannabis excise tax collected, paid to us, and subsequently returned to the cannabis retailer or purchaser.
- Records that support any transactions where the cultivation tax or the cannabis excise tax was not collected or paid.

**Cultivation Tax**

- Did the distributor report all harvested cannabis that entered the commercial market during the reporting period prior to July 1, 2022?
- Did the distributor report all harvested cannabis that entered the commercial market in the correct category?
- Did the distributor properly report the quantity of harvested cannabis that entered the commercial market in ounces?

Tax or Fee \*

*Audit Objective (continued)*

The following are examples of the types of information our auditor wants to verify:

**Cannabis Excise Tax (On and After January 1, 2023)**

- Was the cannabis excise tax reported and paid by cannabis retailers for sales made on and after January 1, 2023?
- Did you report the gross receipts from your retail sales of all cannabis and cannabis products sold to your customers during the reporting period?
- Did you properly report any excess cannabis excise tax collected from your customer?
- Did you properly report any credits for cannabis excise tax paid to a distributor for cannabis or cannabis products sold or transferred to you prior to January 1, 2023, and sold at retail on or after January 1, 2023?
- If applicable, did you properly retain 20 percent vendor compensation because you were eligible for a Department of Cannabis Control license fee waiver and approved by us to retain vendor compensation?

*Records (continued)*

Our auditor will need to review the following types of records (including records maintained electronically and in the California Cannabis Track-and-Trace System):

- Records that support any volume of cannabis or cannabis products that were destroyed, stolen, or otherwise removed from inventory but not sold at retail.
- Inventory records of all cannabis or cannabis products purchased and distributed, including inventory entered into the California Cannabis Track-and-Trace System.
- List of all locations where cannabis products are stored or sold at retail.
- List of distributors and suppliers.
- Copies of cannabis excise tax returns, electronic point-of-sale records or cash register tapes, copies of receipts provided to retail purchasers, or other documents to support cannabis excise tax credit.
- Copies of contracts or documents that support any business agreements with other commercial cannabis activity licensees.
- Copies of contracts or documents that support engagement in other commercial cannabis activities under the same commercial cannabis activity license or under any other license.
- Copies of commercial cannabis activity license(s) and the application(s) submitted to the applicable state licensing agency.
- Copies of the license fee waiver letter from Department of Cannabis Control, *if applicable*.





Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Cigarette and Tobacco Products Tax**

*Cigarette Tax*

- Did you take actual beginning and ending inventories of cigarettes with stamps affixed and unaffixed?
- Did you properly claim tax-exempt distributions?
- Did you properly deduct unusable stamps for which you have filed a claim?
- Did you report purchases of Non-Participating Manufacturer (NPM) brands on Schedule F?

- Books of account, including your income statements, balance sheets, general ledger, and other summary records of your business operations.
- Original documents that support the entries to your books, such as sales invoices, purchase invoices, purchase orders, bills of lading, credit memos for return product, bank statements, cancelled checks and cash distribution records, credit card statements, and any other documents that result from your business operations.
- Physical inventory records for stamped and unstamped cigarettes and for fixed and unaffixed cigarette stamps.
- Cigarette tax stamp logs and purchasing records.
- Copies of tax returns and/or reports you have filed with us and the worksheets and supporting schedules used to prepare the returns and/or reports.



Tax or Fee *	Audit Objective	Records
<b>Cigarette and Tobacco Products Tax</b>	<p data-bbox="367 323 607 348"><i>Tobacco Products Tax</i></p> <ul data-bbox="367 365 834 1241" style="list-style-type: none"> <li>• Did you report the wholesale cost of tobacco products distributed (prior to any discounts or trade allowances)?</li> <li>• Did you properly claim tax-exempt distributions?</li> <li>• Did you report tobacco products purchased from a supplier outside of California or imported into California from another country?</li> <li>• Did you report Roll Your Own tobacco product on Schedule T?</li> <li>• Did you report sales of electronic cigarettes and/or vaping products that contain nicotine on the <i>Electronic Cigarettes and Vaping Products that Contain Nicotine Tax Disbursement Schedule</i>?</li> <li>• If you reported a credit on returned tobacco products on the <i>Tax Credit Adjustment Worksheet</i>, did you properly claim them?</li> <li>• If you collected more excise tax than the amount due calculated on your tax return, did you properly report the excess tax collected?</li> </ul>	<p data-bbox="915 180 1433 275">Our auditor will need to review the following types of records (including records maintained electronically):</p> <ul data-bbox="915 323 1433 1827" style="list-style-type: none"> <li>• Schedule of claimed exempt distributions and supporting documents, such as sales invoices, purchase invoices, shipping documents, and credit memos for returned products.</li> <li>• Inventory records of all tobacco products purchases including taxed and untaxed products. Taxed and untaxed tobacco products are to be stored separately. <i>Please note:</i> Untaxed tobacco products must be segregated and secured separately from tax-paid tobacco away from the retail stock.</li> <li>• Records supporting imports of tobacco products from outside the United States, including Customs Broker invoices, U.S. Customs import documents, and tobacco vendor purchase invoices including support for transportation charges.</li> <li>• List of all tobacco products, suppliers and their addresses, including contracts identifying tobacco purchase amounts and any discounts allowed.</li> <li>• Copies of the Alcohol and Tobacco Tax and Trade Bureau (TTB) return and reports.</li> <li>• Federal and state income tax returns.</li> <li>• Cigarette and Tobacco Products Distributor, Wholesaler, and Tobacco Products Manufacturer/Importer tax returns, supporting schedules, worksheets, and any other documentation used to prepare the returns.</li> <li>• Worksheets used to determine discounts and trade allowances for Tobacco Products Distributor tax return reporting.</li> <li>• General ledger, chart of accounts, balance sheets, purchase journal, sales journal, bank statements, credit card statements, cancelled checks, and cash distribution records.</li> <li>• Original documents supporting entries to books and records, such as sales and purchase invoices, and bills of lading.</li> </ul>

Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Covered Electronic Waste Recycling Fee**

- Did you report all Covered Electronic Devices (CEDs) sold or leased?
  - Did you report all sales of self-consumed new or refurbished CEDs in the total number of items sold?
  - Did you properly exclude all used, not refurbished, CEDs sold?
  - Did you properly exclude all CEDs sold in interstate or international commerce?
  - Did you properly exclude all CEDs sold to other retailers for the purpose of resale?
  - Did you properly claim the number of returned CEDs for a returned merchandise credit?
  - Did you properly report CEDs subject to the fee in the appropriate categories?
- Books of account, including your income statements, balance sheets, general ledgers, and other summary records of your business operations, including state and federal income tax returns.
  - Original documents that support the entries to your books, such as sales and purchase invoices, purchase orders, contracts, bank statements, and any other documents that result from your business operations.
  - Resale certificates, exemption certificates, bills of lading, or other documents supporting claimed exempt sales.
  - Copies of the returns you have filed with us, and the working papers and schedules used to prepare the returns.
  - Inventory records and supporting documentation.





## Tax or Fee \*

### *Audit Objective*

The following are examples of the types of information our auditor wants to verify:

### *Records*

Our auditor will need to review the following types of records (including records maintained electronically):

#### **Diesel Fuel Exempt User**

- Did you correctly report the gallons of tax-paid diesel fuel that you used in vessels?
- Did you correctly report the gallons of tax-paid diesel fuel that you used in construction equipment exempt from registration operated off-highway?
- Did you correctly report the gallons of tax-paid diesel fuel that you used in the operation of auxiliary equipment?
- Did you correctly report your purchases of tax-paid diesel fuel and without tax dyed diesel fuel?
- Did you correctly report your sales of dyed and undyed diesel fuel?
- Did you properly apply auxiliary equipment safe harbor percentages?

- Books of account relating to purchases and sales of clear and dyed diesel fuel and accountable products, including general ledger accounts, purchase and sales journals, purchase and sales invoices, bills of lading, purchase orders, and contracts.
- Physical inventory of untaxed and tax-paid gallons of diesel fuel.
- Supporting documentation for exempt gallons for which a refund was claimed, including fuel logs, trip reports, a list of on-highway and off-highway diesel-powered vehicles, equipment lists, and exempt fuel usage tests.
- Copies of claims filed with us, and the working papers and schedules used to prepare the claims.

#### **Diesel Fuel Tax Supplier**

- Did you report all rack removals of diesel fuel and accountable products?
- Did you report all sales of diesel fuel to unlicensed suppliers above the rack?
- Did you correctly report two-party exchanges?
- Did you report total gallons of imports and exports?
- Did you report sales of biodiesel, straight vegetable oil, and waste vegetable oil?
- Have all below-the-rack purchases been made tax-paid?
- Did you properly claim total deductions in number of gallons and use the correct tax rate, supported with proper documentation?
- Did you report the amount of diesel fuel used?
- Did you use the correct tax rate when reporting?

- Books of account related to rack removals, purchases, and sales of diesel fuel and accountable products, including general ledger accounts, purchase and sales journals, purchase and sales invoices, bills of lading, pipeline tickets, terminal reports, purchase orders, contracts, and exchange agreements.
- A record of all imports and exports of diesel fuel.
- Physical inventory records of diesel fuel and accountable products.
- Refinery production reports.
- Terminal Operator reports.
- Exemption Certificates, off-highway or usage logs, or any documentation to support claimed exemptions and/or credits.
- Copies of returns and claims filed with us and the working papers and schedules used to prepare the returns.

Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Diesel Fuel  
Ultimate  
Vendor**

- Did you correctly report your sales of tax-paid gallons of fuel to farmers for use on a farm?
  - Did you correctly report your sales of tax-paid gallons of fuel to exempt bus operators?
  - Did you correctly report your sales of tax-paid gallons of fuel to the United States government?
  - Did you correctly report your exports of tax-paid gallons of fuel exported from this state?
  - Did you correctly segregate and properly report your purchases of tax-paid clear diesel fuel from your purchases on tax-free dyed diesel fuel?
  - Did you correctly report tax-paid diesel fuel used in your operations for purposes other than to operate motor vehicles on the highway?
- Books of account related to diesel fuel purchases and sales of diesel fuel and accountable products, including general ledger accounts, purchase and sales journals, purchase and sales invoices, bills of lading, purchase orders, and contracts of sale.
  - A record of all exports.
  - Records segregating purchases of untaxed and tax-paid gallons of diesel fuel.
  - Physical inventory records of untaxed and tax-paid gallons of diesel fuel and other accountable products.
  - Timely exemption certificates from farmers and exempt bus operators.
  - A record of all United States government sales including supporting purchase orders, sales invoices, and contracts.
  - Supporting documentation for tax-paid diesel fuel claimed as being used off the highway.
  - Copies of reports and claims filed with us, and the working papers and schedules used to prepare the returns.



Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

**Diesel  
Interstate  
User**

- Did you report all miles traveled?
- Did you report total gallons of fuel used by your qualified vehicles during the reporting period?
- Did you correctly report gallons of tax-paid fuel used by your qualified vehicles during the reporting period?

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

- Trip distance records such as individual vehicle distance reports, driver daily logs, trip reports, and/or onboard recording devices.
- Distance records should include all of the following information: starting and ending dates of trip, trip origin and destination, beginning and ending odometer readings, odometer readings at the crossing of the border, routes of travel, total trip miles or kilometers, distance by country, vehicle unit, and fleet number.
- Fuel records and fuel receipts must contain the following information: date of purchase, name and address of the seller, number of gallons or liters purchased, type of fuel purchased, price per gallon or liter, or total sale amount, tax amount, if included, unit and fleet number of the vehicle into which the fuel was placed, and purchaser's name.
- Copies of returns and claims filed with us, and the working papers and schedules used to prepare the returns.

Tax or Fee \*

### *Audit Objective*

The following are examples of the types of information our auditor wants to verify:

- Did you properly report all wireline communications service lines?
- Did you properly report all wireless communications service lines?
- Did you properly report all Voice over Internet Protocol (VoIP) service lines?
- Did you report all retail sales of prepaid mobile telephony services?
- Did you identify if a billing aggregator was used?
- Did you file the proper supporting schedules?
- Did you charge the correct surcharge rates?
- Did you correctly calculate the amount subject to the surcharges?
- Did you claim bad debts related to prepaid mobile telephony services?
- Did you report excess surcharge collected?

### *Records*

Our auditor will need to review the following types of records (including records maintained electronically):

- Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns.
- Original documents that support the entries to your books, such as invoices, settlement sheets, customer service records, and any other documents that result from your business operations.
- Documents filed with governmental regulatory agencies and other documents describing the telephone communication services provided.
- Copies of returns filed with us, and the working papers and schedules used to prepare the returns.
- Traffic or call pattern studies representative of your business within California.

### **Emergency Telephone Users Surcharge-Service Suppliers (includes 911 and 988 surcharges)**





Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Energy Resources Surcharge**

- Did you report all kilowatt hours (kwh) of electrical energy sold?
- Did you properly exclude sales to other electrical utilities?
- Did you properly exclude energy used directly or lost in the process of generation, transmission, or distribution?
- Did you properly exclude bad debt adjustments?
- Did you exempt only service users who qualify as exempt from the energy surcharge?

- Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns.
- Original documents that support the entries to your books, such as billing invoices, settlement sheets, customer service records, and any other documents that result from your business operations.
- Copies of returns filed with us and the working papers and schedules used to prepare the returns.

**Environmental Fee**

- Did you report the correct number of employees on your return?

- Payroll reports and all other documents listing employees, wages, and hours worked.
- Employee agreements or contracts.



Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

**Hazardous Substances Generator Fee/ Generation and Handling Fee, and Facility Fee**

- Did you report the total amount of hazardous waste generated, and are the wastes properly classified?
- Are all of your locations that generated five tons or more of waste registered with us?
- Have you properly documented exempt waste?
- Does the classification reported on the return agree with the permitted size of the facility?
- Is the facility operating within the requirements of the permit?

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

- Copies of returns and reports filed with us, including supporting worksheets.
- A listing of all past and current Environmental Protection Agency numbers assigned for your site locations.
- Hazardous waste manifests with supporting documentation, such as weight tickets and waste profile sheets.
- Transporter billings or invoices that support the quantity of waste generated.
- Waste stream analysis reports.
- Conversion factor computation.
- Production reports.
- Correspondence with regulatory agencies and copies of site inspection reports, permits, permit modifications, and certifications.
- For fee rate determinations: written evidence from the generator citing generator name, site address, and a specific explanation of the reason the waste is exempt from the fee or subject to another rate.
- Unmanifested treated wood waste tonnage reports.



Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Integrated Waste Management Fee**

- Did you report all tonnage of waste accepted into landfill?
- Did you properly exclude amounts of recycled and inert material waste removed from the waste stream and not disposed of in the landfill?
- Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns.
- Original documents that support the entries to your books, such as weigh tickets, billing invoices, settlement sheets, customer service records, and any other documents that result from your business operations.
- Copies of returns filed with us and the working papers and schedules used to prepare the returns.
- Reports of waste received.



Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**International Fuel Tax Agreement (IFTA)**

- Did you correctly report all miles traveled by your IFTA qualified vehicles?
- Did you correctly report total gallons of fuel used by your IFTA qualified vehicles during the reporting period?
- Did you correctly report gallons of tax-paid fuel used by your IFTA qualified vehicles during the reporting period?
- Did you correctly report fuel used from your bulk fuel storage?

- Trip distance records, such as individual vehicle distance reports, driver daily logs, trip reports, and/or onboard recording devices.
- Distance records should include all of the following information: date of trip (starting and ending), trip origin and destination, beginning and ending odometer readings, odometer readings at the crossing of each jurisdiction, routes of travel, total trip miles, distance by jurisdiction, vehicle unit, and fleet number.
- Fuel records and fuel receipts must contain the following information: date of purchase, name and address of the seller, number of gallons purchased, type of fuel purchased, price per gallon, or total sale amount, unit and fleet number of the vehicle into which the fuel was placed, and purchaser's name.
- Bulk purchase invoices and bulk inventory records showing that tax was paid on your bulk fuel purchases. The records should contain the following information: date and number of gallons withdrawn, fuel type, unit and fleet number of the vehicle into which the fuel was placed, and location of your storage facility.
- Copies of returns and claims filed with us, and the working papers and schedules used to prepare the returns.
- Records should be retained a minimum of four years.





Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Lead-Acid Battery Fees**

*California Battery Fee*

- Did you report the correct number of sales of replacement lead-acid batteries subject to the fee on your return?
- Did you properly apply the dealer/retailer reimbursement rate?  
*Please note:* Reimbursement is not applicable if the dealer is also the manufacturer.

*Manufacturer Battery Fee*

- Did you report the correct number of sales of lead-acid batteries subject to the fee on your return?

- Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns.
- Original documents that support the entries to your books, such as sales invoices, credit memos, purchase orders, and other documents that result from your business operations.
- Sales or other reports showing the quantity of lead-acid batteries sold.
- Bills of lading or other documents supporting claimed exempt sales.
- Copies of returns filed with us, and the working papers and schedules used to prepare the returns.
- Inventory records and supporting documentation.



Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Lithium  
Extraction  
Excise Tax**

- Did you report all metric tons of lithium carbonate equivalent extracted?
- Did you properly report the metric tons extracted into the correct tax rate tier based on your lifetime cumulative amount?
- Did you report metric tons extracted for the correct county?

- Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns.
- Original documents that support the entries to your books, such as sales invoices, credit memos, purchase orders, and other documents that result from your business operations.
- Copies of annual reports filed with other agencies, such as the Department of Conservation, that show amounts extracted.
- Mining records and supporting documentation.
- Physical inventory records of lithium.
- Copies of returns you have filed with us and the working papers and schedules used to prepare the returns.





Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Lumber Products Assessment**

- Is your sales and use tax permit correctly coded as a *lumber account*?
  - Did you correctly report all sales of lumber products subject to the assessment?
  - Did you correctly report any lumber products subject to use tax?
  - Did you properly claim deductions for sales not subject to the lumber products assessment?
  - If eligible, did you properly claim the start-up costs as an offset against your reported lumber products assessment revenue?
- Records required for the sales and use tax account (see [Sales and Use Taxes](#)).
  - Summary records of business operations showing lumber sales and purchases.
  - Original documents to support lumber products sales entries, such as sales and purchase invoices.
  - Copies of resale certificates, exemption certificates, bills of lading, or other documentation to support claimed exempt sales.
  - Copies of returns filed with us and working papers and schedules used to prepare returns showing lumber products sales and purchases.





Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Motor Vehicle Fuel Tax**

- Did you report all rack removals of motor vehicle fuel and other accountable products?
- Did you report all sales of motor vehicle fuel to unlicensed suppliers above the rack?
- Did you report two-party exchanges?
- Did you report total gallons of imports and exports?
- Have all below-the-rack purchases been made tax-paid?
- Did you correctly claim credits?
- Did you report the amount of motor vehicle fuel used by you?

- Books of account related to all rack removals, purchases, and sales of motor vehicle fuel and accountable products, including general ledger accounts, purchase and sales journals, purchase and sales invoices, bills of lading, pipeline tickets, terminal reports, purchase orders, contracts, and exchange agreements.
- A record of all imports and exports of motor vehicle fuel and accountable products.
- Physical inventory records of motor vehicle fuel and accountable products.
- Refinery production reports.
- Terminal operator reports.
- Exemption certificates, shipping documents, or any documentation to support claimed exemptions or credits.
- Copies of returns and claims filed with us, and the working papers and schedules used to prepare the returns.

**Natural Gas Surcharge**

- Did you report all therms sold or consumed?
- Did you properly report therms exempt from the surcharge?
- Did you properly apply the correct tax rate for the territory in which the natural gas was sold or consumed?
- Did you properly apply bad debt adjustments?

- Books of account, including income statements, balance sheets, general ledgers, and other summary records of your business operations, including federal and state income tax returns.
- Original documents that support the entries to your books, such as billing invoices, settlement sheets, customer service records, and any other documents that result from your business operations.
- Copies of returns filed with us, and the working papers and schedules used to prepare the returns.

Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Oil Spill Response, Prevention, and Administration Fees**

- Did you report the total crude oil (including condensate and natural gasoline) received at a marine terminal or refinery from within or outside the state?
  - Did you report total petroleum products received at a marine terminal from outside the state?
  - Did you report total petroleum products received at a refinery from within or outside the state?
  - Did you report total renewable fuel received at a marine terminal or refinery from within or outside the state?
  - Did you report total renewable fuel received at a receiving facility from outside the state?
  - Did you report total renewable fuel shipped from a renewable fuel production facility?
  - Were receipts of exempt products properly documented?
  - Did you account for all marine terminal, refinery, renewable fuel receiving facility, and renewable fuel production facility locations?
  - Did you use the correct fee rate when reporting?
  - Did you correctly report barrels where the fee was previously paid?
- Books of account related to crude oil (including condensate and natural gasoline) and petroleum products received at a marine terminal (including third-party terminals) or refinery.
  - Purchase and sales journals, general ledger purchase and sales invoices, bills of lading, shipping and discharge records, and contracts showing title.
  - Records identifying all marine terminal and refinery locations owned or operated within the state and all third-party locations where crude oil or petroleum products are received.
  - Third-party independent inspection reports (for example, Saybold and Caleb Brett reports) showing loading and discharge of crude and other petroleum products at marine terminals and shipping docks.
  - Refinery records showing the origin and receipt of crude oil used for processing.
  - Copies of returns filed with us, and the working papers and schedules used to prepare the returns.
  - Copies of documentation showing the fee was previously paid.
  - Product specification sheets.

Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Prepaid  
Mobile  
Telephony  
Services  
Retailer**

- Are you properly registered as a seller of prepaid Mobile Telephony Services (MTS)?
- Did you correctly report all sales of prepaid MTS?
- Did you charge the correct rates (for example, for city or county charges) on all retail transactions of prepaid MTS?
- Did you properly claim deductions?

- In addition to records required for a related sales and use tax account (see [Sales and Use Taxes](#)), summary records of business operations.
- Original documents to support prepaid MTS sales entries, such as sales and purchase invoices.
- Copies of returns filed with us, and working papers and schedules used to prepare the Prepaid MTS returns.



Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Sales and Use Taxes**

- Did you report all gross receipts from sales of tangible personal property (merchandise) and taxable labor and services?
- Did you report the cost of all business equipment and supplies that you purchased without tax either from out-of-state vendors or for resale for your business or personal use?
- Did you properly claim deductions?
- Did you properly allocate tax?
- Did you use the correct rate of tax when reporting sales in special tax districts?
- Did you properly apply tax to your sales and uses of tangible personal property (merchandise)?

- Books of account, including your income statements, balance sheets, general ledgers, and other summary records of your business operations, including state and federal income tax returns.
- Original documents that support the entries to your books, such as sales and purchase invoices, purchase orders, contracts, bank statements, cash register tapes, and any other documents that result from your business operations.
- Resale certificates, exemption certificates, bills of lading, or other documents supporting claimed exempt sales.
- Copies of the returns you have filed with us, and the working papers and schedules used to prepare the returns.

**Timber Yield Tax**

- Did you report all timber volume from each of your timber operations?
- Did you use the correct timber harvest value?
- Did you properly claim deductions?
- Did you allocate volume to the correct county and Timber Value Area?
- Did you correctly determine the size code for each timber operation?

- Books of account, including income statements, general ledger, accounts payable, accounts receivable, depletion reports, and other summary records for your business operations.
- Original documents, including scale tickets and summaries, remittance advices, timber harvest plans, governmental timber contracts, purchase/sales contracts, bank statements, and any other documents that result from your business operations.
- Copies of tax returns and harvest reports and any working papers used to prepare the returns.

Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Underground Storage Tank Maintenance Fee**

- Is the underground storage tank account correctly registered to the owner of the tank?
  - Did you report total gallons of petroleum products placed into your underground storage tanks at each of these sites?
  - Did you include fuel grade ethanol and biodiesel (B99.9 or lower) in total gallons of petroleum products placed into the underground storage tanks?
  - Did you use the correct fee rate when reporting?
- Purchase invoices for all petroleum products purchased for the audit period, including meter tickets and bills of lading.
  - Purchase journals showing gallons of petroleum products purchased.
  - Petroleum products inventory records.
  - Sales or usage records, including pump meter readings.
  - Property tax statements and/or deeds of trust on properties owned where underground storage tanks are located.
  - Leases, tank installation contracts, or any other documents that verify ownership of the underground storage tanks.
  - Copies of the returns filed with us, and the working papers and schedules used to prepare the returns.





Tax or Fee \*

*Audit Objective*

The following are examples of the types of information our auditor wants to verify:

*Records*

Our auditor will need to review the following types of records (including records maintained electronically):

**Use Fuel Tax**

- Did you correctly report sales of alternative fuels?
- Did you include all self-consumed alternative fuel?
- Did you properly claim and support exemptions?
- Did you use the correct measure, for example, unit or gallon for each type of alternative fuel reported?

- Books of account related to all alternative fuel, including general ledger accounts, purchase and sales journals, purchase and sales invoices, and bills of lading.
- Copies of returns filed with us, and the working papers and schedules used to prepare the returns.
- Records of sales to flat rate decal holders.
- Copies of certificates authorizing purchases of fuel without payment of use fuel tax.
- Inventory records and supporting documentation.



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**CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION  
MAILING ADDRESS: P.O. BOX 942879 • SACRAMENTO, CA 94279-0001**