



CDTFA

CALIFORNIA DEPARTMENT OF
TAX AND FEE ADMINISTRATION

INFORMATION UPDATE

Please note the following update to Special Notice L-591, published in December 2018, regarding new district use tax collection requirements for all retailers. The notice stated that beginning April 1, 2019, all retailers registered or required to be registered with the California Department of Tax and Fee Administration (CDTFA) are responsible for collecting and paying a district's use tax to the CDTFA if, during the preceding or current calendar year, the retailer's sales into the district exceed \$100,000, or the retailer made sales into the district in two hundred (200) or more separate transactions. The new district use tax collection requirement was pursuant to the U.S. Supreme Court's *South Dakota v. Wayfair, Inc.* decision and Revenue and Taxation Code section 7262.

On April 25, 2019, California passed [Assembly Bill No. \(AB\) 147](#) (Stats. 2019, ch. 5) which provides that all retailers required to be registered with the CDTFA, whether located inside or outside of California, are required to collect district use tax on all sales made for delivery in any district that imposes a district tax if, during the preceding or current calendar year, the total combined sales of tangible personal property in California or for delivery in California by the retailer and all persons related to the retailer **exceed \$500,000**. AB 147 is operative April 1, 2019, and supersedes the prior direction provided in Special Notice L-591. A separate [notice](#) was also published notifying taxpayers of the information update.



Special Notice

CALIFORNIA DEPARTMENT
OF TAX AND FEE
ADMINISTRATION
450 N STREET
SACRAMENTO, CA 95814

New District Use Tax Collection Requirements for *All* Retailers Effective April 1, 2019

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CDTFA WEBSITE
www.cdtfa.ca.gov

CUSTOMER SERVICE CENTER
1-800-400-7115

TTY
711

Beginning April 1, 2019, all retailers registered or those required to be registered with the California Department of Tax and Fee Administration (CDTFA) are responsible for collecting and paying a district's use tax to the CDTFA if during the preceding or current calendar year:

- The retailer's sales into the district exceed \$100,000, or
- The retailer made sales into the district in two hundred (200) or more separate transactions.

This new district use tax collection requirement is pursuant to Revenue and Taxation Code section 7262 and the U.S. Supreme Court's decision in *South Dakota v. Wayfair, Inc.* (Dock. No. 17-494) (*Wayfair*).

This new requirement applies to all retailers required to be registered with the CDTFA, whether located inside or outside of California. The new collection requirement is not retroactive and is in addition to the requirements for retailers to collect district use tax that applied prior to April 1, 2019.

What is district tax?

District taxes are voter-approved sales (transactions) and use taxes imposed by cities, counties, and other local jurisdictions. The current statewide California sales and use tax rate is 7.25 percent. However, total sales and use tax rates are higher in areas where district taxes are imposed. In these areas, the total tax rate includes the statewide tax rate plus the district tax rate(s).

Who is responsible for paying the district tax?

District sales taxes are due from retailers on their sales of tangible personal property. District use taxes are due from purchasers for their use of tangible personal property in a district. However, a retailer that is "engaged in business" in a district is generally required to collect the district's use tax and pay it to the CDTFA on sales of tangible personal property delivered in the district.

Generally, if you are a retailer and your business is located in a taxing district, you are considered "engaged in business" in that district. In addition, a retailer is also considered "engaged in business in a district" if, for example, the retailer:

- Maintains, occupies, or uses any type of office, sales room, warehouse, or other place of business in the district, whether the use is temporary or permanent, direct or indirect, or through an agent,
- Has any representative, agent, salesperson, canvasser, etc., operating in the district for the purpose of taking orders, making sales or deliveries, installing, or assembling tangible personal property,
- Receives rentals from a lease of tangible personal property located in the district, or
- Sells or leases vehicles or undocumented vessels which will be registered in a district.

***New District
Use Tax
Collection
Requirements
for All Retailers
Effective
April 1, 2019***

New requirement for collection of district use tax effective April 1, 2019

Beginning April 1, 2019, in addition to the above conditions that require a retailer to collect a district use tax from their customers, any retailer whose sales into a district exceed either \$100,000 or 200 or more separate transactions in the preceding or current calendar year, is considered to be “engaged in business” in the district and is required to collect that district’s use tax on sales made for delivery in that district. Retailers are required to report and pay any collected district tax to the CDTFA on their sales and use tax return.

Courtesy collection of district use tax

Generally, if you are not “engaged in business” in a district, then your customers are the persons liable for the district use tax on tangible personal property purchased from you for storage, use, or other consumption in that district. As a courtesy to your customers, you may choose to collect the district use tax from them and report and pay it to the CDTFA.

Tax rates for California

You may find the tax rates for each district (city and/or county) on our website at www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.htm. This webpage includes a look-up tool, [Find a Sales and Use Tax Rate by Address](#), located under the *Current Tax Rates* section, which allows you to find a tax rate based on an address. To further assist you in finding the correct tax rate, our rate look-up service may also be integrated into your sales software to compute the tax rate for each of your sales. To see if our service will work with your application, select the [Looking for the Tax Rate API?](#) link at the bottom of the [Find a Sales and Use Tax Rate by Address](#) page.

For more information

For more information about the *Wayfair* decision and the new district use tax collection requirements, see our online guide, [Use Tax Collection Requirements Based on Sales into California Due to the Wayfair Decision](#) listed on our website at www.cdtfa.ca.gov/industry/. You may also call our Customer Service Center at 1-800-400-7115 (TTY:711). Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.