



FIONA MA, CPA

Chairwoman, California State Board of Equalization
District 2



Message from Chairwoman Ma:

It's been quite a year! My office hosted 13 seminars throughout the year and produced two in-house webinars that are available on my website www.boe.ca.gov/ma/webinars/. The webinars are extremely helpful and convenient if you don't have time or live too far away to attend my seminars.

Next year, we will be doing more events throughout my district as well as webinars so make sure you visit www.boe.ca.gov/ma/events/ to find free small business and nonprofit seminars near you. If you have ideas of events or workshops, please submit them to fiona.ma@boe.ca.gov.

In addition to being the Chairwoman of the Board of Equalization (BOE), I am also the Chair of the BOE Legislative Committee. In 2016, 1059 bills were sent to Governor Brown's desk. The Governor vetoed 159 bills this year, which adds up to a 15% veto rate. Governor Brown's 6 year average veto rate is 13%. You can find information on BOE related bills as well as their status on my website at www.boe.ca.gov/ma/legislation/.

As always, if I can be of service, please feel free to call me and members of my team at (415) 557-3000 or email me at Fiona.Ma@boe.ca.gov. We look forward to hearing from you.

My office and I wish you and your loved ones a happy holiday.

In Peace and Friendship,

Fiona Ma, CPA

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Sales and Use tax Rate Decreases January 1, 2017

Voter-approved temporary sales and use tax rate increase imposed by Proposition 30 (<http://vig.cdn.sos.ca.gov/2012/general/pdf/text-proposed-laws-v2.pdf>) expires on December 31, 2016. As a result, effective January 1, 2017, the California statewide sales and use tax rate will decrease by 0.25 percent from the current rate of 7.50 percent to the new rate of 7.25 percent.

For retail transactions on or after January 1, 2017, retailers may charge their customers for tax reimbursement at the statewide sales and use tax rate of 7.25 percent, plus any applicable district taxes. Likewise, purchases that are subject to use tax on or after January 1, 2017, are subject to the 7.25 percent rate plus any applicable district taxes. Please make sure to visit <http://www.boe.ca.gov/sutax/prop30.htm> to understand how this change affects you and your business!

Changing Business Type May Trigger a Reassessment of Property

If you plan to change ownership of your business, you need to inform the BOE about the change. It's important for businesses to fill out the Notice of Business Change form (BOE-345) for your seller's permit or any special tax or fee administered by the BOE, especially if you are adding or changing an LLC member. Another thing to keep in mind is that a change in ownership can cause a reassessment of real property.

In general, there are two types of transfers involving legal entities that may result in a change in ownership and reassessment of California real property. One type of transfer is the *transfer of an interest in real property* to a legal entity or by a legal entity (corporation, partnership, LLC, or other legal entity). This type of transfer should be reported to the local county assessor's office where the real property is located by filing a *Change in Ownership Statement (COS)* with the county assessor or by filing a *Preliminary Change in Ownership Report (PCOR)* with the county recorder at the time of recording the grant deed. The second type of transfer is the *transfer of an ownership interest in a legal entity* that owns real property. The transfer of ownership interests in a legal entity that results in a change in control of the legal entity or in a transfer of more than 50 percent of certain types of interests must be reported to the BOE on form, BOE-100-B.

Although the transfer may be deemed a change in control or a change in ownership, it may qualify for one of the exclusions from reassessment for legal entity transfers. The law provides for several exclusions; specific information regarding exclusions is available on the Legal Entity Ownership Program webpage at www.boe.ca.gov/proptaxes/leop.htm or visit the frequently asked questions webpage at www.boe.ca.gov/proptaxes/faqs/propertyfaqs.htm.

Additionally, transfers of real property between a parent and child may be excluded from change in ownership and reassessment through the Parent/Child Exclusion. However, transfers of legal entity interests that own real property do not qualify for the Parent/Child exclusion even if the legal entity is wholly owned by a parent or child and the property is transferred to the other. Contact your county assessor if you have questions about whether the transfer you are considering will cause a reassessment of your property.

Fun Fuel Fact

November 07, 2016 - Running the washboard ups and downs. This week regular is lower than last week's price by a cent and a half.

The average price in California for regular gasoline decreased 1.5-cents from the previous week. The average **statewide price for regular was \$2.809**. Mid-grade and premium prices decreased as well.

The national average for self-serve regular is at \$2.233, up 0.3 of a cent from the previous week. This is **57.6 cents lower** than the price of regular in California.

www.energy.ca.gov/almanac/petroleum_data/#fuel_price_data

Statewide Compliance and Outreach Program

Sometimes, locating and reviewing the information you need to run your business can be overwhelming. The Statewide Compliance and Outreach Program (SCOP) teams visit businesses throughout California to answer questions and help you understand your tax obligations.

More information about SCOP and their process is available in this publication

<http://www.boe.ca.gov/ma/pdf/pub164-2.pdf> .



SCOP

STATEWIDE COMPLIANCE AND
OUTREACH PROGRAM

Renewing Clients on MyFTB



State of California
Franchise Tax Board

Tax practitioners, did you know that access to your client's MyFTB account expires 13 months from the date the client was added to your MyFTB Tax Preparer Account?

Starting January 3, 2017, you can renew access to your client's MyFTB account. This process ensures there is no uninterrupted access to your client's account. It is important that all tax preparers have their client's permission to access their client's information. Form FTB 743, Online Account View Access Authorization (<https://www.ftb.ca.gov/forms/misc/743.pdf>), or a comparable form, can be used. Keep the form for your records, do not send it to the FTB.

Tax Tips for Contractors



The application of tax with respect to construction contractors depends upon whether the tangible personal property at issue are materials or fixtures and the type of contract.

Construction contractors are generally consumers of materials which they furnish and install in the performance of construction contracts and retailers of fixtures which they furnish and install in the performance of construction contracts. Tax applies to their sales of the fixtures.

However, a construction contractor may be considered the retailer of materials furnished and installed, in the performance of a construction contract, depending on the type of contract.

Construction contracts include: lump sum contracts, cost-plus-a-fee contracts, time and material contracts. The two most common contracts in the construction industry are lump sum contracts, under which the contractor for a stated lump sum agrees to furnish and install materials or fixtures (or both) and time and material contracts which set forth separately a charge for the materials or fixtures and a charge for their installation or fabrication.

Please see page 9 of the following publication which summarizes the sales and use tax liability owed by construction contractors, depending on the type of tangible personal property at issue (i.e., materials or fixtures) and the type of contract: www.boe.ca.gov/pdf/pub9.pdf . (Please note, special rules apply to construction contracts performed on behalf of the U.S. Government, not summarized here).

The State Board of Equalization recognizes that understanding the tax issues specific to construction contractors can be time-consuming and complicated. However, if you are a construction contractor, it is important that you (and whomever prepares your sales and use tax returns) get the information you need so that you can focus on starting and growing your business.

Continued on next page...

Due to the complicated nature of tax as it applies to construction contractors, we highly recommend that you and your tax preparer refer to Publication 9, Construction and Building Contractors: www.boe.ca.gov/pdf/pub9.pdf. In addition, if you have general tax questions, please contact the SBOE toll free at 1-800-400-7115. Also, you can receive a one-on-one consultation at your business location from a trained staff member who can review your business operations and recordkeeping system through The Taxpayer Education Consultation Program, a free service designed to provide new businesses assistance in understanding California's complex tax laws and regulations. To schedule an appointment, call or visit any Board of Equalization field office. www.boe.ca.gov/info/phone.htm

This material has been provided for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal, or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.



Tax Tips for Food Trucks

Be Sure to Calculate and Report Sales Tax at the Correct Rate

Mobile food vendors are subject to similar tax reporting requirements as brick-and-mortar restaurants, but should pay sales or use taxes at the rate in effect at the location where the sale is made. Since you may be on the move, you are responsible to report the district tax, if any, based on each location where your sales are made throughout the day. For example, if you make sales in Oakland, CA in the morning, you will report those sales at the Oakland rate (currently 9.50%). Later in the day, if you make sales in Albany, CA, you will report those sales at the Albany rate (currently 10.00%). To report district tax click the "District Tax" button where it says "click to enter District Tax" when filing your sales and use tax returns online. A comprehensive listing of city and county sales and use tax rates can be found on the BOE's website at www.boe.ca.gov/sutax/pam71.htm.

You may price your menu items as tax-included or you may add tax to the menu price of taxable items. Since July 1, 2014, taxable sales by food truck operators are presumed to include tax, unless a separate sales tax amount is added to the charged price. If you choose to include tax in your sales prices, you will still need to calculate and report tax at the proper rate(s) of the various locations of your sales. Calculating and paying the correct amount of tax is important to the success of your business. It ensures you are in compliance with the tax laws, reducing the chance that your business may owe back taxes, penalties, or interest if you are audited.

For more information, please refer to Publication 287, Mobile Food Vendors Tax Guide, available on the BOE's website at www.boe.ca.gov/pdf/pub287.pdf.

There is also helpful information for food truck operators in the Tax Guide for Caterers, available online at www.boe.ca.gov/industry/caterers.html.

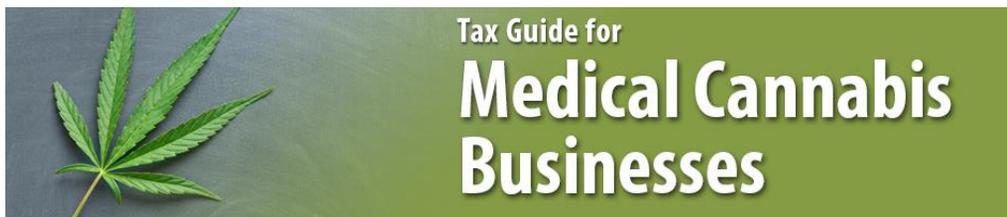
Taxing eCigarette Products First Step to Regulating Industry

With the passage of Proposition 56, Cigarette Tax to Fund Healthcare, Tobacco Use Prevention, Research, and Law Enforcement Initiative, (voterguide.sos.ca.gov/en/propositions/56/), California voters have taken the necessary step to protect our children by taxing electronic cigarettes (eCigarettes). The passage of Proposition 56 joins other recently enacted laws to better regulate the sale of these products.

State excise tax on cigarettes will increase by \$2 per pack—from \$0.87 to \$2.87, and eCigarettes will be taxed as a tobacco product. Both of these items will become effective April 1, 2017. Revenue from these higher taxes will be used to augment spending on health care for low-income Californians.

The BOE will inform retailers, wholesalers, and distributors of the changes in the new laws, and staff will be busy working on regulations that will help distributors understand how to apply the excise tax to the wholesale cost of eCigarettes. More information about the excise tax rate will be available on the BOE's online Cigarette and tobacco products tax guide www.boe.ca.gov/industry/cigarettes_tobacco_products.html.

Recreational Use of Cannabis Passes, Sparking a Budding Industry



The BOE will send information to the industry to help business owners understand their tax compliance requirements. The BOE has already sent a special notice notifying sellers that effective November 9, 2016, medical cannabis patients with state-issued marijuana cards and a valid government-issued identification card will be exempt from state sales and use taxes when they purchase cannabis products from a dispensary.

BOE staff will send information to dispensaries about how to document, for sales and use tax purposes, patients who have state-issued cards.

Beginning January 1, 2018, both medical and adult use cannabis will be subject to a cultivation tax of \$9.25 per ounce for flower and \$2.75 per ounce for leaves. Both medical and adult use cannabis will also be subject to a 15% excise tax imposed on the purchasers and collected from retailers of medical and adult use cannabis. It is important to note that in addition to the 15% percent excise tax, consumers of cannabis will still have to pay state sales and use taxes on medical and adult use cannabis products. However, medical patients with state-issued medical cards and a valid government-issued identification card will be exempt from state sales and use taxes.

More information about the excise tax rate and industry will be available on the BOE's online tax guide for the Cannabis Industry www.boe.ca.gov/industry/medical_cannabis.html.

Taxpayer's Corner

We are always glad to hear from taxpayers about the customer service they received from BOE staff. Here's a taxpayer compliment of our staff.

Being a small business with limited time, there is not really much time to spare on any issues. It seems there is war against time in each moment of our business. It was apparent that I made a mistake in filing one of our tax period cycles and Monique was not only helpful to identify the issue, but instrumental in walking me through the correct process and procedure to ensure correct fees are applied. There is always hesitation and concern when it comes to any type of tax, but after going through the BOE process with Monique, I have absolute confidence that I have a solid friend with a wealth of knowledge on the other side. Ms. Monique is knowledgeable in the BOE process, she carries a sense of working participation to ensure the customer is well informed & provides guidance for solutions. Just a note to thank the BOE and staff (specially, Ms. Monique) for their great service.

- Thankful taxpayer

Free Webinars Available

Chairwoman Ma is pleased to sponsor helpful webinars to provide tips to making sales in California. These webinars provide information in a convenient format with educational tips to help your business. One of the best things about the web series is that you can watch it nearly anywhere you have an internet connection – on your phone, tablet, desktop, or laptop! And if you missed a section, you can watch it again at a time that works best for you since they will be archived online.

[Webinar – Register , File, and Pay](#)

[Webinar –Keep Your Business on Track, Tips for Accurate Record Keeping](#)

You can also find these webinars at www.boe.ca.gov/ma/webinars.



DEAR KATHRYN.....

Dear Kathryn is a section of the newsletter that address real taxpayer questions.

**DEAR KATHRYN:**

I realize that the sales tax rates vary by city and county throughout California. My business is located in Oakland. If I ship a product to a customer in Los Angeles, which tax rate should I charge? Should I charge the tax rate for Oakland or Los Angeles?

- DAVID

DEAR DAVID:

Since the sales takes place in California, at a minimum, you will owe sales tax on the transaction at the statewide rate. The state wide sales tax rate is currently 7.5% (please note that state wide rate will change to 7.25% effective January 1, 2017),).

Many cities, counties and other local agencies impose additional voter approved district taxes, so the total tax rates varies by city and county.

Generally if you are located in one such district tax area and mail or ship via common carrier property to a purchaser in a different district, the use tax of the district where the purchaser is located will apply to the transaction. However if you are not “engaged in business” in a district (see below for more information) and you ship products by common carrier into that district, you are not responsible for collecting the district use tax. So if your business is located in Oakland and you ship an item via common carrier to Los Angeles and you are not “engaged in business” in Los Angeles, you may calculate tax on that sale using the statewide rate. As a courtesy to the customers, you may choose to collect the district use tax from them. If you choose to collect the district tax, it should be shown on the customer's invoice and it must be reported on Schedule A of the sales tax return and paid to the Board of Equalization.

You are considered to be “engaged in business” in a special tax district and must report and pay district use tax if, for example, you:

1. Have any kind of permanent or temporary business location in the district, including a warehouse, salesroom, or office;
2. Have any kind of representative or agent in the district, even temporarily, who makes sales, takes orders, or makes deliveries for you;
3. Use your own delivery vehicles to regularly deliver merchandise into or within the district; or
4. Receive rental income from the lease of merchandise located in the district.

For more information regarding district taxes, please refer to Publication 105, District Taxes and Delivered Sales, which is available online at <https://www.boe.ca.gov/formspubs/pub105/>.

- KATHRYN

IN OTHER NEWS..

Annual Dickens Fair at Cow Palace

A cherished Bay Area holiday tradition, The Great Dickens Christmas Fair & Victorian Holiday Party returns to the historic Cow Palace (2600 Geneva Ave., Daly City, CA) on November 19th, and continues for five weekends (including November 25th, the Friday after Thanksgiving) through Sunday, December 18th, 2016. The Great Dickens Christmas Fair has been a stellar event for decades, and this year's version is especially designed to kindle and set aglow your holiday spirits.

“What the Great Dickens Christmas Fair creates is more than a show, it is also an arts and crafts fair with more than 70 individual vendors who provide tens of thousands of dollars of sales tax shared for the local community,” explains Chairwoman Fiona Ma.



Each holiday season, the elves of The Great Dickens Christmas Fair magically transform three acres of exhibition halls into the delightfully lively world of Charles Dickens' London. Cheerful calls of street vendors meld with songs of holiday carolers; enticing aromas of roasted chestnuts and hearty foods fill the air; and inviting shops overflow with one-of-a-kind Christmas gifts. As they explore the theatres, pubs and winding lanes of Victorian London, guests are surprised and amazed at every turn by the vibrant street scenes and colorful characters out of Victorian life and fiction, including, of course, Mr. Dickens' lively imagination.

More information can be found on their website at dickensfair.com/.

VITA Volunteers Needed During Tax Season



Will you join BOE Chairwoman and Franchise Tax Board Member Fiona Ma by participating in the Volunteer Income Tax Assistance (VITA) program as a volunteer this tax season? The VITA program is an Internal Revenue Service (IRS) program designed to help low and moderate-income taxpayers complete their annual tax returns at no cost. As an IRS-certified volunteer, you will be able to provide free basic income tax return preparation to qualified individuals. During the 2015 filing season more than 90,000 VITA volunteers prepared more than 3.7 million returns at thousands of tax sites nationwide!

Additionally, for the second year now, California offers a state Earned Income Tax Credit (EITC), which supplements the federal credit. In combination with the federal EITC, families can get a significant boost to their cash assets to help pay for essential living expenses such as housing, transportation, and childcare. VITA volunteers are critically important to help families and taxpayers access any credit for which they are eligible.

A variety of volunteer opportunities are available, including tax preparer, screener, interpreter, and greeter. Tax preparers and screeners are required to get certified through an exam offered by the IRS. For more information on how to get certified, visit www.linklearncertification.com and click on "Getting Started Tutorial." For more information about VITA, visit www.boe.ca.gov/ma/vita.htm

IRS Scam Targets College Students

College students and their parents are finding themselves the victims of an ongoing phone scam. In this scheme, thieves impersonate IRS officials over the phone, demanding payment for federal student taxes that do not exist.

Note that the IRS will never:

- Call to demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer. Generally, the IRS will first mail you a bill if you owe any taxes.
- Threaten to immediately bring in local police or other law-enforcement groups to have you arrested for not paying.
- Demand that you pay taxes without giving you the opportunity to question or appeal the amount they say you owe.
- Ask for credit or debit card numbers over the phone.

Remember: Scammers Change Tactics -- Aggressive and threatening phone calls by criminals impersonating IRS agents remain a major threat to taxpayers, but variations of the IRS impersonation scam continue year-round and they tend to peak when scammers find prime opportunities to strike.

For more information on IRS Scams and reporting scams, please visit www.irs.gov/uac/tax-scams-consumer-alerts.

Congratulations to Tina Chang of Oakland District Office

Please join us in congratulating Tina Chang of the Oakland District office on her promotion to Business Taxes Administrator I.

Tina is a graduate of the University of California, Davis where she was awarded a Bachelor of Arts degree in Chinese Studies. Tina began her professional career with the BOE in our Sacramento Headquarters Office in 2001 as an Office Assistant in the Consumer Use Tax Section. In 2004, she was promoted to a Tax Technician II with the Special Taxes and Fees Section and in 2005, she promoted to a Business Taxes Representative with the Return Analysis Unit. In 2008, she transferred to the Oakland District Office and was subsequently promoted to a Business Taxes Compliance Specialist in 2009.

We welcome Tina to the Oakland Supervisory team, and know that she will assist us in continuing to embody the Ma Squad Core Principles.



Happy Birthday D2 Employees

Dec. 03	Joanne Barry
Dec. 05	Tammy Lee
Dec. 11	Luvi Lui
Dec. 13	Helen Karkazis
Dec. 14	Priyadeep Kaur
Dec. 17	Gloria Yan
Dec. 18	Christine Qian Zhou
Dec. 23	Shirley Hatton
Dec. 25	Bernadette Cruz
Dec. 25	Janica Li
Dec. 25	Smriti Saha



MaSquad on the Road



Free Small Business Seminar for Veterans in San Mateo with lots of great resources for Veterans that are in business or want to start a business



California Film Commission meeting at the Directors Guild of America

Great group of students at USF's MPA class led by Professor Tony Ribera on Halloween



Visiting the BOE Print and Mail Room in Sacramento

With Oscar Dominguez, Director of SBDC - Contra Costa and Kelly Kalfsbeek of the Workforce Development Board - Contra Costa County



***Congratulations to BOE team members
celebrating 25 years at the agency:***



Maria Perez Vargas, Business Taxes
Administrator I, Salinas Branch Office
(April 2016)

Jill Crowe, Supervising Tax Auditor II,
San Jose District Office (July 2016)

Mike Lopez, Associate Tax Auditor,
Salinas Branch Office (October 2016)

Newsletter Subscription

If you are interested in receiving a digital copy of my monthly newsletter straight to your inbox, please subscribe at this link:

<https://www.boe.ca.gov/ma/newsletters/>

Disclaimer: This material has been prepared for general informational purposes only and may not reflect the most current legal developments. These informational materials are not intended, and should not be taken, as legal advice and are subject to change without notice.

Thank You for Your Support

If you have a tax or fee problem, or have difficulty understanding the complex tax laws in California, my office can help provide you with assistance and resources. Email me directly at fiona.ma@boe.ca.gov or call my offices in Sacramento at 916-445-4081 or in San Francisco at 415-557-3000.

In addition, if you want to view some of the Board decisions or watch us live at the monthly Board hearings, please access www.boe.ca.gov and choose the webcast option under Board Hearings.

Representing the interests of taxpayers in a district of more than nine million Californians in 23 counties, I will ensure that the agency treats all taxpayers with respect and dignity. As your SBOE representative, I will continue to ensure that taxpayers are being heard in Sacramento. It is truly an honor to serve you.

Connect with Chairwoman MA



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