



NEWS FOR TAX PRACTITIONERS

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

This semiannual newsletter helps you stay current on the latest developments regarding the taxes and fees administered by the California State Board of Equalization (BOE) and other taxes affecting your clients' businesses, to help you to advise them and prepare their returns more accurately and effectively.



New Taxes and Exemptions on Sales of Marijuana

California voters approved Proposition 64, *Control, Regulate and Tax Adult Use of Marijuana Act*, in November 2016. As a result, starting January 1, 2018, two new taxes will be imposed upon marijuana and marijuana-related products:

- A cultivation tax on cultivators of marijuana at the rate of \$9.25 per ounce of dried marijuana flowers and \$2.75 per ounce of dried marijuana leaves.
- An excise tax on purchasers of marijuana or marijuana-related products sold in this state at a rate of 15 percent of the gross receipts of any retail sale by a retailer, such as a dispensary, or other person required to be licensed to sell marijuana and marijuana-related products directly to a purchaser.

Additionally, effective November 9, 2016, certain sales of medical marijuana—or cannabis—are exempt from sales and use tax. The sales and use tax exemption applies to the retail sales of medical cannabis, medical cannabis concentrate, edible medical cannabis products, or topical cannabis as those terms are defined in the Business and Professions Code (BPC) section 19300.5 (go to leginfo.ca.gov, find "Quick Code Search," select BPC from the drop down list in the "Code" box, type "19300.5" in the "Code Section" box, and click "Go" button). To obtain the exemption, qualified patients (or their primary caregivers) must present their valid Medical Marijuana Identification Card (MMIC) issued by the California Department of Public Health and a valid government issued identification card (ID) at the time of purchase.

To properly claim the new sales and use tax exemption, retailers should not collect sales tax reimbursement on qualifying exempt sales of medical marijuana. In addition, retailers should claim a deduction on their sales and use tax returns for qualifying exempt medical marijuana sales. Retailers should maintain both of the following records for each exempt transaction:

- The purchaser's nine-digit ID number and expiration date, as shown on the qualified patient's or primary caregiver's unexpired MMIC.
- The related sales invoice and/or other original record of sale.

Please check for additional information as it becomes available at www.boe.ca.gov in the *Medical Cannabis Businesses Guide* at www.boe.ca.gov/industry/medical_cannabis.html.

Tax Rate Increases on Cigarettes and Tobacco Products

California voters approved Proposition 56, *The California Healthcare, Research and Prevention Tobacco Tax Act of 2016*, in November 2016 which increases the cigarette excise tax rate by \$2.00 per pack of 20 on April 1, 2017, for a total of \$2.87 per pack. Retailers and wholesalers will pay a floor stock tax on each cigarette in their possession or control on April 1, 2017, at 12:01 a.m. Distributors will pay a stamp adjustment tax on their inventory of unaffixed tax stamps and a floor stock on their inventory of stamped cigarette packs on April 1, 2017, at 12:01 a.m. Proposition 56 also increases the tax rate on other tobacco products (such as, cigars, snuff, and chewing tobacco), which is set annually and takes effect on July 1, 2017. Additionally, electronic cigarettes containing nicotine, nicotine products intended for human consumption, and little cigars will be added to the definition of "tobacco products" under the Revenue and Taxation Code for excise tax purposes.

For additional information, you may visit the *Cigarette and Tobacco Products Tax Guide* at www.boe.ca.gov/industry/cigarettes_tobacco_products.html.



New Fees on Sales of Lead-Acid Batteries

Assembly Bill 2153 (Stats. 2016, Ch. 666) enacted the *Lead-Acid Battery Recycling Act of 2016*. Beginning April 1, 2017, sales and purchases of lead-acid batteries may be subject to two \$1.00 fees:

- Manufacturers will generally pay a \$1.00 fee for every lead-acid battery sold by the manufacturer directly to a consumer, or sold to a dealer, wholesaler, distributor, or other person for retail sale in California.
- In addition, every person selling to consumers will generally be required to collect a \$1.00 fee from consumers on each purchase of a replacement lead-acid battery. Dealers may retain 1.5 percent of the fees collected as reimbursement for costs associated with collection of the fee.

For additional information, please visit www.boe.ca.gov.



Taxpayers Can Now File a Single Claim for Refund for Payments Made on a Billing!

If your clients have overpaid taxes, fees, surcharges, interest, or penalties to the BOE, they must file a claim for refund within a specified period to be eligible to receive a refund. The claim must be in writing and state the specific reasons for the claim. Prior to January 1, 2017, taxpayers and fee payers were generally required to file a separate claim for refund for each installment payment to protect against the expiration of the statute of limitations. However, as of January 1, 2017, taxpayers or fee payers can now file a **single timely** claim for refund that will cover *all* future payments applied to a single final Notice of Determination (billing) in addition to prior payments made within the applicable statute of limitations (Assembly Bill 1856, Stats. 2016, Ch. 98).

If you have clients who are currently making installment payments on a disputed tax liability, whether or not they have filed any prior claims for refund, in order to cover future payments, make sure they submit one final claim for refund on or after January 1, 2017. If your clients are disputing more than one billing, they must file a timely claim for refund for each billing. Claims submitted prior to January 1, 2017, will not cover future payments.

For more information, see Special Notice, *Beginning January 1, 2017, Only One Claim for Refund is Required for Installment Payments Made Toward a Billing* at www.boe.ca.gov/pdf/1479.pdf, issued November 2016.



Tax Preparers Can Renew Clients on Franchise Tax Board's MyFTB

Access to your client's MyFTB account expires 13 months from the date you added the client to your MyFTB Tax Preparer account. However, as of January 3, 2017, you are able to **renew** access to your client's MyFTB account with their permission. This new feature will allow uninterrupted access to your client's account.

For uninterrupted access, you can start the process now by requesting your client's permission to access their account using form FTB 743, *Online Account View Access Authorization*, available at www.ftb.ca.gov/forms/misc/743.pdf. Be sure to keep this form for your records; do not mail it to the Franchise Tax Board.



New Features, Enhanced Security

Convenient, secure access to file, pay, and manage your taxes.

Remember to Report Use Tax on Holiday Purchases!

Use tax is a tax on tangible personal property purchased for use, storage, or consumption in this state. Generally, it is owed on purchases made from out-of-state retailers that do not collect California sales tax on the sale. Most use tax can be reported and paid annually on your client's California personal income tax return; however, the use tax on certain purchases must be directly reported and paid to the BOE. For more information on reporting and paying use tax, please visit www.boe.ca.gov/sutax/usetax.htm.



Contact Us

Tell the BOE what topics you would like to see covered in your newsletter. You can mail your comments to the BOE, call the Customer Service Center at 1-800-400-7115 (TTY:711), or send a message through the BOE website.

California State Board of Equalization
PO Box 942879
Sacramento, CA 94279-0044

Website:
www.boe.ca.gov/contact/

Tax Practitioner Hotline:
1-800-401-3661
Representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

Online Filing Now Available for the Emergency Telephone Users Surcharge Return

The *Emergency Telephone Users Surcharge Return* is now available to file and pay electronically. To file the return online go to www.boe.ca.gov, click on the "Log in" button and enter the Express Login Code (located at the top of the return) and account number, or the user ID and password, then click on the appropriate reporting period to access the return. If you don't already have a user ID, you can create one from the "Log In" webpage by going to the bottom of the "Express Login" box and clicking on the "Create a User ID" link.



Electronic Waste Recycling Fee Increase

The electronic waste recycling fee increased for all covered electronic devices (CEDs) on January 1, 2017. The new rates are:

Electronic Waste Recycling Fee		
Screen Size Measured Diagonally	Fee Through 12/31/16	Fee Beginning 1/1/17
More than 4 inches, less than 15 inches	\$3.00	\$5.00
15 inches or more, less than 35 inches	\$4.00	\$6.00
35 inches or more	\$5.00	\$7.00

Please visit www.boe.ca.gov/sptaxprog/tax_rates_stfd.htm and select the drop-down "Electronic Waste Recycling Fee" for more information.

NEW DISTRICT TAX RATE CHANGES COMING APRIL 1, 2017.
 For more information, go to www.boe.ca.gov "Latest News."



New Cigarette and Tobacco Products Tax Regulation 4076

Cigarette and Tobacco Products Tax Regulation 4076, Wholesale Cost of Tobacco Products, was approved and became operative October 1, 2016. The regulation clarifies the wholesale cost of tobacco products and provides methods for estimating or calculating the wholesale cost.

For more information, see Special Notice, *Clarifying the Wholesale Cost of Tobacco Products*, at www.boe.ca.gov/pdf/1469.pdf, issued September 2016.

Continuing Education for Tax Professionals

Don't forget that the BOE offers free online continuing education credit for Certified Public Accountants (CPA) and other tax professionals. This is a formal program of learning designed to help tax professionals gain knowledge about California tax laws and the functions and programs administered by the BOE. Successful completion of the program and passing the final exam qualifies as four hours of CPA continuing education credit.

What you may not know is that this service is not just for CPAs. Although the course does not qualify for Enrolled Agent Continuing Education credits, the content is beneficial as general education to Enrolled Agents and can be used towards their California certification. Also, for members of the California Society of Enrolled Agents (CSEA/NAEA), the course qualifies as four hours of CSEA/NAEA Continuing Education.

To take this invaluable course, or for more information about the program, visit the *Tax Practitioners' Information Portal* at www.boe.ca.gov/industry/tax-practitioners.html, and click "Resources tab," then see "Continuing Education."

