



NEWS FOR TAX PRACTITIONERS

WHAT YOU NEED TO KNOW ABOUT CALIFORNIA BUSINESS TAXES AND FEES ADMINISTERED BY THE BOE

As a tax practitioner, having the latest tax and fee information enables you to advise your clients and prepare their returns more effectively. This semiannual newsletter helps you stay current with the latest developments regarding taxes and fees administered by the California State Board of Equalization (BOE).

For more information on any of the topics covered in this edition, please visit the Tax Practitioners' Information Portal on our website at www.boe.ca.gov/industry/tax-practitioners.html.



The Prepaid Mobile Telephony Services (MTS) Surcharge Program Began January 1, 2016

Starting on January 1, 2016, sellers of prepaid wireless phone cards, plans, and services are required to collect the prepaid mobile telephony services (MTS) surcharge from their customers at the time of the sale.

If your client sells prepaid wireless products and services in a retail sale in California, they are required to register with the BOE as a prepaid MTS seller, even if they have a seller's permit. The prepaid MTS account is separate from your client's seller's permit account and will require a separate quarterly return. Online filing for the prepaid MTS account will be available April 18, 2016, to report the prepaid MTS sales for the first quarter (January 1 to March 31, 2016).

To register online for a prepaid MTS account, go to our website at www.boe.ca.gov, click the "New Registration" link (below the Log in button), select "Register a business activity with the BOE," and then follow the prompts.

If your client is a telecommunication service supplier or VoIP service provider, they are considered a "direct seller" for purposes of prepaid MTS and different registration and reporting requirements apply. For more information, see the "Telecommunication Service Supplies (Direct Sellers)" tab in our online tax and fee guide at www.boe.ca.gov/mts.

The prepaid MTS surcharge applies to all sales of wireless services and plans that customers purchase upfront prior to using the service, such as prepaid wireless cards or minutes and prepaid wireless refill or top-off cards. A retail sale of prepaid wireless products and services occurring in California, including a sale to

a customer with an address known to be in California (California customer), is subject to the prepaid MTS surcharge *regardless of where the prepaid wireless minutes/time are actually used*. Sellers that are not telecommunication or VoIP service suppliers may keep 2 percent of the prepaid MTS surcharge collected as reimbursement for their costs. Sellers may claim the 2 percent reimbursement on their prepaid MTS return.

For the period January 1 to December 31, 2016, the prepaid MTS surcharge rate is 9.26 percent **plus** any local charges that may apply for the city or county where the sale occurs. The surcharge rate for each city and county is posted on our website at www.boe.ca.gov/mts. The rate is subject to change annually and will be effective January 1 through December 31. New local charges may be in effect April 1 of each year.

For more information, including additional requirements and responsibilities for sellers of prepaid MTS, see our online *Prepaid Mobile Telephony Services Surcharge* guide at www.boe.ca.gov/mts.

Get the Latest Updates!

You can sign up to receive an email alert when this newsletter is published and when new information becomes available on our website at www.boe.ca.gov/info/enotify.htm. In the first section titled "General," click on "BOE Updates," scroll down to the bottom of the page, enter your name and email address, then click "Submit Form."

Regional Railroad Accident Preparedness and Immediate Response Fee

Senate Bill (SB) 84 (Stats. 2015, Ch. 25), among other provisions, imposes a fee on owners of hazardous material transported by rail in California and requires railroads to collect the fee from the owner of the hazardous material and to pay the fee to the BOE. The bill also requires every person who operates a railroad that transports hazardous materials by tank car to register with the BOE and to remit the fees collected to the BOE.

Although this statute became effective June 24, 2015, the fee does not start and does not have to be collected and remitted to the BOE until the Office of Emergency Services (OES) sets the fee schedule. The OES has formed their Advisory Committee and is working on their regulations. Once the regulations have been completed and the fee schedule established, we have six months to implement the program. We expect this program will be implemented in 2016, and we will provide all the necessary program information to you on our website at a new program webpage that is currently under development.

In the meantime, if you have clients who are railroad operators or who transport hazardous material by rail in California, visit our *Special Taxes and Fees Programs* webpage at www.boe.ca.gov/sptaxprog/tax_and_fee_programs.htm.



Tax Rate Increases for Some Partially Exempt Property

The tax rate for some partially exempt sales and purchases increased to 2.25 percent plus applicable district taxes on January 1, 2016. The new tax rate applies to qualifying sales and purchases of:

- Farm equipment and machinery
- Teleproduction or other postproduction service equipment
- Diesel fuel used in farming activities or food processing
- Timber harvesting equipment and machinery
- Racehorse breeding stock

Your clients who make sales or purchases of property that is subject to these partial exemptions will need to collect or accrue tax at the increased rate and report the amounts on their sales and use tax or consumer use tax returns.

There is no need for your client to obtain a new exemption certificate. Properly completed certificates currently on file may be used to support partially exempt sales made under the new rate.

The partial tax rate for sales and purchases of manufacturing and research and development equipment will remain at 3.3125 percent plus applicable district taxes. The partial rate for motor vehicle fuel remains unchanged at 2.25 percent plus applicable district taxes.

For more information, see our *Special Notice, Partial Tax Exemption for Certain Items Decreases by 0.25 Percent on January 1, 2016*, on our website at www.boe.ca.gov/sptaxprog/pdf/L440.pdf.

Disaster Tax Relief Available

To help lessen the pressure your client faces during the stressful time following a disaster and for ease of finding relevant information, a new *State of Emergency Tax Relief* webpage is now available at www.boe.ca.gov/info/state_of_emergency_tax_relief.htm.

Your clients will be directed on how to request an extension to file their returns, relief of penalties and/or interest from some taxes and fees, or to replace copies of records lost to damage. Your clients will be able to obtain information on:

- State of emergencies declared for the past three years (includes disaster type and impacted counties).
- BOE-administered programs that qualify for the one-month extension of time to file and pay taxes or fees.
- Property tax relief.

This webpage will be updated as new states of emergency are declared.



New Industry Guides Available Online

We have two new industry-specific tax guides available to assist your clients with their businesses. These online industry guides are a one-stop shop for information on key tax and fee issues relevant to specific types of businesses.

- Destination Management Companies
- Medical Cannabis Businesses

For a complete list of all our industry topics, please see our *Industry & Tax and Fee Guides* webpage at www.boe.ca.gov/industry.



Sales of Medical Cannabis

In general, retail sales of medical cannabis, products containing medical cannabis, including bartered products, and other accessories are taxable. We are continuing our educational outreach efforts to growers and sellers of medical cannabis. You can assist your clients with understanding how sales and use tax applies to cannabis by directing them to our new publication 557, *Tax Help for the Cannabis Industry*, at www.boe.ca.gov/pdf/pub557.pdf.



California's Earned Income Tax Credit

Governor Brown signed into law the state's first ever Earned Income Tax Credit (EITC) to help California's poorest working families. The California EITC complements the federal EITC by providing a refundable tax credit for the lowest income California households. The credit will be available beginning with tax returns filed for earned income earned in 2015.

California will offer an EITC for Form W-2 wage earners for the 2015 tax year. California's EITC will be similar to the federal credit, but includes some different qualifying rules and a separate form.

The Franchise Tax Board is very excited to offer the lowest income California households the opportunity to claim the California EITC. This credit will assist in increasing the standard of living for hundreds of thousands of Californians by offering an average estimated household benefit of \$460, with a maximum benefit of \$2,618.

For more information, visit the Franchise Tax Board's website at www.ftb.ca.gov. Go to the second subject listed and click on "See If You Qualify." This takes you to the Cal EITC page, which includes a special section for tax professionals.

IT'S YOUR MONEY
GET IT!
Cal EARNED INCOME TAX CREDIT

Remember to Report Use Tax on Your Income Tax Return

Did your clients make holiday purchases online or from catalogs from businesses located outside the state and not pay California sales tax reimbursement? If they did, they must report those purchases and pay any use tax due on their income tax return. The majority of households in California owe at least a small amount of use tax for these types of purchases made throughout the year. For those taxpayers, we've made it easy to calculate and remit the use tax by using the Estimated Use Tax Lookup Table in the California Franchise Tax Board income tax return instructions.

Adjusted Gross Income Range	Use Tax Liability
Less than \$10,000	\$2
\$10,000 to \$19,999	\$5
\$20,000 to \$29,999	\$9
\$30,000 to \$39,999	\$12

The instructions also include a worksheet for those taxpayers who cannot use the lookup table. For purchases such as vehicles, vessels, and aircraft, use tax cannot be reported on income tax returns. Unless use tax on a vehicle or vessel is collected by the Department of Motor Vehicles at the time of registration, your clients can pay use tax owed directly to the BOE using our convenient mobile application or online services at www.boe.ca.gov (click the "New Registration" link, below the Log in button). Find more information about use tax online at www.boe.ca.gov/sutax/usetax.htm.

New District Taxes

The following district tax changes were approved by voters in November 2015 and will become operative April 1, 2016.

New Rates		
City	New Rate	Start Date
Dunsmuir (Siskiyou County)	8.000%	4-1-16
Greenfield (Monterey County)	9.375%	4-1-16
Novato (Marin County)	8.750%	4-1-16
South San Francisco (San Mateo County)	9.500%	4-1-16

Current Rates Extended		
City	Rate	New End Date
Greenfield (Monterey County)	9.375%	Extended Indefinitely
Hercules (Contra Costa County)	9.000%	Extended Indefinitely
San Mateo (San Mateo County)	9.250%	3-31-48

Current Rates Ending 3-31-16		
City	Old Rate	New Rate
Half Moon Bay (San Mateo County)	8.50%	9.00%
Tracy (San Joaquin County)	8.50%	8.00%

Visit our website at www.boe.ca.gov/sutax/pam71.htm for more information on tax rates.

Are Fundraising Activities of Volunteer Fire Departments Taxable?

Due to a new law that began on January 1, 2016, all volunteer fire departments (VFDs) may no longer need to collect sales tax. Senate Bill 598 passed by the Legislature last year states that VFDs are consumers, rather than retailers, of items they sell when the profits are used to further the VFDs purposes. For more information, please see our *Special Notice, Volunteer Fire Departments May No Longer Need to Collect Sales Tax During Fundraisers*, located on our website at www.boe.ca.gov/pdf/L443.pdf.



Board Member Representation for Out-of-State Offices

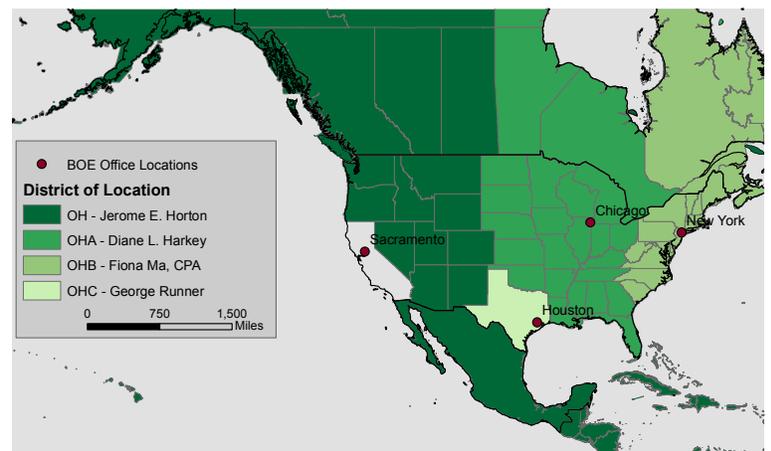
The State of California is divided into four equalization districts and the resident voters in each district elect a Board Member. The Board is comprised of the four district-elected Board Members and the State Controller. While the authority to set policy and decide protested assessments is vested in the Board as a whole, taxpayers and their representatives located within California have an identified Board Member whom they may contact for assistance on tax or fee program-related matters. The BOE also has out-of-state offices to provide audit coverage throughout the United States and Canada.

The Board recently assigned a district-elected Member to each of the four out-of-state offices to serve as suggested initial points of contact for out-of-state taxpayers with concerns related to tax and fee programs administered by the BOE. The assignments are as follows:

- Sen. George Runner (Ret.), First Equalization District
Houston, Texas
- Fiona Ma, CPA, Second Equalization District
New York, New York
- Jerome E. Horton, Third Equalization District
Western States/Sacramento, California (Main Office)
- Diane L. Harkey, Fourth Equalization District
Chicago, Illinois

Of course, taxpayers and their representatives are always welcome to contact any Board Member for assistance, including the State Controller and the Member of any district in which a taxpayer has a California location.

To view our map of out-of-state office jurisdictions, scroll down to the pictures of our Board Members on our home page www.boe.ca.gov and click on "Find Your Board Member."



Contact Us

Tell us what topics you would like to see covered in your newsletter. You can mail your comments to us, call our Customer Service Center, or send a message through our website.

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

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.

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

BOARD MEMBERS

SEN. GEORGE RUNNER (RET.)
First District
Lancaster

FIONA MA, CPA
Second District
San Francisco

JEROME E. HORTON
Third District
Los Angeles County

DIANE L. HARKEY
Fourth District
Orange County

BETTY T. YEE
State Controller

CYNTHIA BRIDGES
Executive Director