

SALES AND USE TAX PROGRAM OVERVIEW

California Department of Tax & Fee Administration
Local Revenue Branch

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(LRB)



Did the recent creation of the California Department of Tax and Fee Administration (CDTFA) impact LRB Responsibilities?

- We are business as usual in LRB.
- LRB continues to provide the excellent customer service we have always provided.
- LRB continues to ensure localities receive their share of funds in a timely manner.

Objectives:

- *Review Taxpayer Registration*
- *Review Return Adjustments*
- *Review Return Reallocations*
- *Review Allocation and Registration Data Provided by CDTFA to Local Jurisdictions*
- *Review How Payments are made to Local Jurisdictions*

Sales and Use Tax Rates

| Retail Sales Tax Fund | Tax Rate (Statewide Rate as of 7/1/17 = 7.25%) |
|--|--|
| • General Fund * | |
| -State General Fund Tax | 3.6875% |
| -ASUT (additional Sales & Use Tax) | .25 |
| • State Local Revenue Fund Tax* | .50 |
| • Local Public Safety Fund Tax* | .50 |
| • Local Revenue Fund 2011 Tax* | 1.0625 |
| • Bradley-Burns Local Tax** (482 Cities) | 1.00 |
| • Bradley-Burns County Tax** (58 Counties) | .25 |
| • Special Taxing Jurisdictions (STJ) Taxes** (260 STJ's) | Various |

*Funds Apportioned, Managed and Disbursed by SCO

** Funds Allocated by CDTFA Local Revenue Branch

Local Revenue Branch (LRB) Goals:

Accurate and Timely Allocation of:

- 1% Bradley Burns Local Tax – 482 Cities
- ¼% Bradley Burns County Transportation Tax – 58 Counties
- Special Taxing Jurisdictions (STJ's) – 260 as of July 1, 2017 (District Taxes)

Accurate and Timely Allocation – How ?

- LRB ensures taxpayers are registered correctly and have a correct **TAX AREA CODE** for each registered business location.
 - *Tax Area Codes Drives Allocation of Funds*
- We need **YOUR** Help - Report Unregistered Sellers in your jurisdiction to CDTFA
- We review tax returns to ensure proper allocation and have systems in place to ensure timely filed returns are allocated.

How is Local Tax Allocated ?

- **Direct:** To the Location of Sale or Use
 - *As set forth in Revenue and Taxation Code and Local Tax Regulations 1802 through 1806 for specifics.*
- **Countywide:**
 - *All local jurisdictions (cities and unincorporated area) within the County Share based on percentage of DIRECT allocations for the quarterly period.*
 - *Some Use Tax where place of use is unknown*
 - *Out of state sellers*
- **Statewide:**
 - *All local jurisdictions (cities and unincorporated area) within the State Share based on percentage of DIRECT allocations for the quarterly period.*
 - Minimal, internet sellers reporting large volume of small dollar transactions.

What is Return Processing?

- Processes that occur after the taxpayer files a return.
- During the Return Processing Cycle, system edits identify return errors, such as:
 - *Tax understatements*
 - *Payment understatements*
 - *Allocation inconsistencies based on taxpayers business type (e.g. CA Retailer not reporting direct allocation of local tax)*
 - *Missing detail that affects local, county, and district tax allocations:*
 - Missing local tax schedules
 - Wrong local tax schedules filed
 - Errors on the schedules (out of balance, transpositions, missing allocations)
- LRB audit staff contact taxpayers to resolve errors before payments are distributed to local jurisdictions.

What happens After the return processing cycle and there are still return errors ?

- Potential errors that cannot be resolved within the processing timeframe are assigned to staff for follow up; however we will not hold up the funding on the return.
- Reallocations are processed for amounts \$50 or more.
- Reallocations are based on factual data established by a formal Date of Knowledge per Regulation 1807.
- Date of Knowledge is established by CDTF staff, by Local Jurisdictions, and Local Jurisdiction Consultants.

What is Date of Knowledge ?

Definition: The Date on which notice of a suspected improper distribution of tax is received/discovered by the CDTFA.

Why Is It Important ?

By statute we can only reallocate funds within 2 quarterly reporting periods of the original funded allocation (*taxes previously distributed to the locals*). The time is limited as to when we can make a REALLOCATION.

What is a Reallocation?

- Funds (District and/or Local tax) reported to a jurisdiction in error.
- An adjustment to reallocate the tax from the original jurisdiction to the correct jurisdiction.
- ‘*Significant*’ Reallocation requires written **Notification** to affected jurisdiction.
- http://www.boe.ca.gov/sutax/pdf/Notification_Threshold.pdf

What is a Reallocation? (cont.)

- Jurisdiction may petition the reallocation by notifying, in writing, to the CDTFA Allocation Group or LRB within 30 days of the reallocation notification letter
 - *Proposed reallocation is on 'hold' and not processed until the appeal period is up.*
- Losing jurisdiction may request mitigation (payment plan) as discussed in notification letter
 - *Requires gaining jurisdiction to agree to terms*

Who Can Receive Confidential Quarterly Allocation and Registration Data?

- Only an Authorized representative can receive 'confidential' data
- Data is available for Download and includes:
 - 1) *Monthly Registration Changes* for taxpayers in your jurisdiction
 - 2) *Monthly Allocation Data for your jurisdiction:*
 - Detailed Allocation by Taxpayer Account, Name, and Amount Allocated
 - Includes 1% Local tax, ¼% County transportation tax, and District tax allocations.

Quarterly Allocation and Registration Data (cont.)

- You can also request a Complete List of All Taxpayers registered in a given Jurisdiction Called a “Start Up Deck” (Available once a year at no cost).
- AB 990 Statewide Registration File:
 - *Includes all taxpayers registered in the State of Ca.*
 - *Contact your CDTFA Local Field office to Register for this program.*
- Request Forms for access to **Confidential data** (See *Exhibit E in Publication 28, Tax. Info. For City & County Officials*) or call LRB for assistance.

When are Payments Made to Localities ?

- Allocation Calendar:
 - *Defines payment dates and allocation periods*
 - *Payments sent approximately the third week of each month (some months vary)*
- Jurisdiction data on the CDTFA website:
 - <http://www.cdtfa.ca.gov/sutax/localdist.htm>
 - Statement of Distributions (Amount of payment; public data)
 - Quarterly Distribution Summary by Jurisdiction (Breakdown of Allocations – i.e. Direct, Countywide, Statewide; public data)
 - Processing Calendars

How are Payment Amounts Determined?

- Advances are computed based on like quarter of the prior year and are 90% of the adjusted base amount
 - *Adjustments*
- Advances are made in 3 installments:
 - *30%, 30% and 40% respectively, of the 90% base*
- Reconciliation/“Clean Up” is at the quarter end:
 - Collections for the quarter, less prior advances & Administrative fees
 - *Remaining approximate 10% of revenues*
 - *Reconcile to and Pay based on Actual Allocations each Quarter*

When Can Localities expect their Quarterly Clean-up Payment?

Quarterly Return Processing Cycle:

First Quarter 2017 (Jan 1 – March 31):

- **April 30th** - Tax Return Filed and Tax Remitted to CDTFA
- **May 1st – June 3** - Return and Payment Processed by LRB

Payments to Local Jurisdictions:

- **June 24** (approx.)- Payment to Jurisdictions

Keep LRB in the Loop

- The LRB should be notified of significant changes to the tax base for your jurisdiction.
For example: A Business closes in your jurisdiction, or a new one opens:
 - To facilitate any potential adjustments to advances, please provide:
 - Taxpayer's Names
 - Sales Tax Account Numbers (if available)
 - Business Location Addresses
 - Starting or Ending Dates

Payments/Refunds

- Tax payments are distributed in the Return Processing Period in which they are Received and Allocated.
- Refunds (credit) to taxpayers are de-allocated in the period that the refund is made.
- Refunds are de-allocated to the same jurisdiction as the original allocation.

Changes in Tax Rates

- *District Taxes approved locally for General purpose or Special purpose:*
 - 1/8% to 1% increments
 - Combined rate of all District taxes within any jurisdiction may not exceed 2%, unless specifically authorized by statute (includes both countywide and city district tax)
 - Record growing number in past year – November election passed 51 new Districts, effective April 1, 2017
 - Adds to complexities in tax reporting

Payments to Locals for Return Filing Period: Fiscal Year 2016-2017 (Return period: July 1, 2016 through June 30, 2017)

- 1% Bradley Burns Local Tax =
\$6,682,531,813.81
- 1/4 % County Transportation Tax =
\$1,670,679,177.78
- STJ's (District Tax) =
\$6,643,714,590.93

Thinking of a New District Tax in your Jurisdiction ?

- Call LRB staff as soon as possible to ensure your ballot measure meets standards as prescribed by legislation
- CDTFA needs 110 days to implement:
 - *System testing, resolution and ordinance review and approval, notification to taxpayers*
- LRB staff will provide sample ordinances and resolutions so you don't have to reinvent the wheel
- LRB staff can answer implementation questions – ***WE ARE HERE TO HELP !***

Tax Information for City and County Officials – CDTFA Publication 28

- Provides General Information regarding issues of interest to Local Jurisdictions such as:
 - *Local Tax Allocation Procedures and related Regulations*
 - *Confidential Registration and Allocation Information*
 - *Advance Calculations Worksheets*
 - *Process for submitting "Claimed Incorrect Distribution of Local Tax" forms*
 - *Contact CDTFA staff for Information and Assistance*

Local Revenue Branch Services

- [Publication 28](#) Data/Updates
- **Warrant Desk** – Payment Questions (EFT setup)
 - Telephone: 916-324-1307
- **Control Desk** – District Tax Implementation Questions
 - Telephone: 916-324-1371
- **Advance Desk** – Advance Computation Questions
 - Telephone: 916-233-6910
- **Media Desk** – Confidential Registration and Allocation Data Questions
 - Telephone: 916-323-0808

Thank You !

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