SALES AND USE TAX PROGRAM OVERVIEW

California Department of Tax & Fee Administration
Local Revenue Branch

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Local Revenue Branch (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

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

*Funds Apportioned, Managed and Disbursed by SCO
** Funds Allocated by CDTFA Local Revenue Branch

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### 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 CDTFA 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.

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**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.

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](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
- ¼ % 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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