



Rancho Cucamonga Office Will Open in December

The California State Board of Equalization (BOE) will open a new office in Rancho Cucamonga in December, 2015. Customers in San Bernardino County can visit us at the Rancho Cucamonga District Office located at 10760 4th Street, Suite 200, Rancho Cucamonga, California 91730-0976.

Our new Rancho Cucamonga Customer Service Center is a one-stop shop for business owners and other taxpayers to register for a permit or license, file a tax return, and have their tax questions answered. Our Customer Service Center features four self-service kiosks that allow customers to conveniently complete transactions and make payments.

We also offer a state-of-the-art electronic queuing system to efficiently check-in customers, and to direct them to where they need to go without having to wait in a long line. Our new location also offers free parking and convenient access to freeways and public transportation.

To learn more about our new Rancho Cucamonga Office, please visit www.boe.ca.gov.

Sunset of Bond Measure Affects Partial Tax Exemptions

In March 2004, California voters approved Proposition 57 (bond measure), which allowed the state to purchase bonds to reduce the state budget deficit. Proposition 57, along with other provisions, changed the state and local components of the statewide tax rate. However, the total statewide tax rate remained unchanged and the way you completed your tax returns—including local tax schedules—generally did not change. You only saw a change if you had sales or purchases that qualified for a partial exemption from sales and use tax.

Partial Tax Exemptions Affected

The following regulations provide information about the affected exemptions from the state's portion of the sales and use tax rate:

- [1532](#), *Teleproduction or Other Postproduction Service Equipment* (5.50 percent to 5.25 percent)
- [1533.1](#), *Farm Equipment and Machinery* (5.50 percent to 5.25 percent)
- [1533.2](#), *Diesel Fuel Used in Farming Activities or Food Processing* (7.25 percent to 7.00 percent)
- [1534](#), *Timber Harvesting Equipment and Machinery* (5.50 percent to 5.25 percent)
- [1535](#), *Racehorse Breeding Stock* (5.50 percent to 5.25 percent)

Bonds associated with Proposition 57 have now been repaid in full. Therefore, beginning January 1, 2016, most partial tax exemptions will decrease by 0.25 percent, which will again affect reporting on your tax returns. Most of the exemptions that are decreasing will change from 5.50 percent to 5.25 percent. The partial exemption provided by [Regulation 1533.2](#), *Diesel Fuel Used in Farming Activities or Food Processing*, will decrease from 7.25 percent to 7.00 percent.

To read the regulations listed above, please visit our website at www.boe.ca.gov/sutax/staxregs.htm, or call our Customer Service Center for a copy of the regulations at 1-800-400-7115 (TTY:711).

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New Surcharge on Prepaid Wireless Cards and Services

Beginning January 1, 2016, a surcharge will be imposed on purchases of prepaid wireless services. This new surcharge is called the [Prepaid Mobile Telephony Services \(MTS\) Surcharge](#). This new surcharge consists of:

- The [Emergency Telephone Users \(911\) Surcharge](#).
- The [California Public Utilities Commission's \(CPUC\)](#) reimbursement fee and telecommunications universal service surcharges.
- Local utility user taxes; and/or local 911 charges or local access charges, where applicable.

Sellers of prepaid wireless services/cards will be required to charge and collect the [prepaid MTS surcharge](#) as a percentage of the retail sales price of prepaid MTS from the purchaser at the time of sale.

Prepaid wireless services/cards, subject to the prepaid MTS surcharge, include wireless plans sold in predetermined units (minutes) or dollars that customers purchase before using, such as prepaid wireless airtime cards and prepaid wireless refill or top-off cards.

If you make any retail transactions involving prepaid wireless services to purchasers in this state, and you are not a direct seller, you will be required to:

- Register with the BOE as a prepaid MTS seller (this account is **separate** from your seller's permit)—**online registration will be available December 21, 2015**.
- Beginning January 1, 2016, collect the correct prepaid MTS surcharge rate from customers who purchase prepaid wireless services/cards. Rates will be published on the BOE website by December 1 of each year.
- Separately state the MTS surcharge amount on invoices and receipts.
- Electronically file your prepaid MTS returns and pay the amounts owed to the BOE.

Prepaid wireless service providers or service suppliers (for example, telephone companies) who sell prepaid MTS products or services directly to consumers, are considered "direct sellers" for purposes of the new prepaid MTS surcharge, and have different reporting and registration requirements than those requirements described above, which are applicable to third party retailers of prepaid MTS cards and services. See our Prepaid MTS Industry Guide Direct Sellers tab for more information at www.boe.ca.gov/industry/prepaid_mts_surcharge.html#direct.

New Prepaid MTS Industry Guide

Our new Prepaid MTS Industry Guide is now available on our website under our Industry Guides; please visit our website at www.boe.ca.gov/industry/prepaid_mts_surcharge.html. We will continually update our prepaid MTS guide as more information becomes available, including how to file your prepaid MTS surcharge return, and the applicable prepaid MTS surcharge rates.

Please email us so we can update our records

If you sell prepaid wireless services, email us at SUTD-MTS@boe.ca.gov with your name and seller's permit number, so we can provide you with important information about this new law.

Membership Fees - Nominal Amount

When are charges for membership fees taxable?

Membership fees that are related to the anticipated retail sale of tangible personal property are subject to sales tax when the retailer sells its products only to members, and the membership fee exceeds a *nominal amount*, as specified in [Regulation 1584, Membership Fees](#). Membership fees that do not exceed the nominal amount are generally not subject to tax.

In addition, membership fees that are not related to the anticipated retail sales of tangible personal property are not subject to tax.

What is a nominal amount?

- Effective January 1, 2016, the nominal amount will be adjusted to an amount totaling \$60 or less per year.
- Effective January 1, 2011, nominal amount means an amount totaling \$55 or less per year.



What have the membership fee nominal amounts been historically?

- \$55 or less, effective January 1, 2011
- \$50 or less, effective January 1, 2006
- \$45 or less, effective January 1, 2001

When is the nominal amount adjusted?

As provided in [Regulation 1584](#), every five years beginning September of 2000, the threshold for the nominal amount is adjusted to the nearest \$5, effective the following January 1, to reflect changes in the [California Consumer Price Index \(CCPI\)](#) whenever that change is more than 5 percent higher than any previous adjustment. The last adjustment was calculated beginning in September 2000, and effective January 1, 2011. Based on staff's computation this year, the CCPI has increased by approximately 10 percent since 2010, and therefore, the nominal amount threshold will increase, rounded to the nearest \$5, to \$60 per year, effective January 1, 2016.

Who is affected by the setting of this nominal amount?

- Membership retailers (Costco, Sam's Club, etc.) and their customers.

How are those who are affected notified?

- In any year the membership fee nominal amount is increased, the BOE amends [Regulation 1584](#) to include the new nominal amount. This regulation is available on the BOE website and is distributed to subscribers of the monthly [BOE Updates and Notification of Regulatory Change](#).
- Known membership retailers such as Costco and Sam's Club are notified by staff directly.
- An article is published in the [Tax Information Bulletin](#) to notify taxpayers of the change.
- An article is published in the [Tax Practitioner Newsletter](#) to notify practitioners of the change.
- A notice of the change may also be posted on the [BOE website](#).

Requirements for the Sale or Consumption of Alcoholic Beverages at Daily License Events

Important information about daily licenses

Daily licenses issued by the [Department of Alcoholic Beverage Control \(ABC\)](#) allow an entity or organization to engage in the sale or consumption of alcoholic beverages at a specific location for a specific period of time. In addition to securing the license issued by ABC (and complying with all applicable ABC laws and regulations), the daily licensee must also ensure that any beer, wine, and/or distilled spirits being sold or consumed at the event are purchased from, or donated by, a BOE-licensed California retailer, wholesaler, manufacturer, wine grower, or importer of alcoholic beverages.

Alcoholic beverages originating outside California

If the alcoholic beverages sold or consumed at the event originated from a point outside California, the alcoholic beverages must be consigned to a licensed California importer prior to the sale or consumption of the product. A list of licensed beer and wine importers is available on the BOE website at www.boe.ca.gov/sptaxprog/pdf/Licensed_Beer_and_Wine_Importers.pdf.

If the alcoholic beverages are being imported from outside of California, and you are not certain that the importer is licensed with the BOE, or if you have questions about sales and use tax requirements, please contact our Customer Service Center at 1-800-400-7115 (TTY:711). Representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

Do I need a seller's permit?

Generally, a temporary seller's permit is required for events that make sales of alcohol, and retailers are required to report the sales and use tax imposed on the retail sale or consumption of the alcoholic beverages. Online registration is available for temporary seller's permits on the BOE website at www.boe.ca.gov/info/temporary_sellers.htm.



Additional information regarding the Alcoholic Beverage Tax and the Sales and Use Tax may be found on the BOE website at www.boe.ca.gov. Please register at www.boe.ca.gov/info/enotify.htm to receive the latest news, including newsletters, tax and fee updates, public meeting agendas, and other announcements.

Free Cigarette and Tobacco Products and Licensing Classes Continuously Offered by the BOE

Cigarette and tobacco products tax laws can be complicated and difficult to understand. The BOE can help you understand the law and inform you of the requirements for businesses making sales of cigarettes and other tobacco products in California.

The BOE now offers its free cigarette and tobacco products licensing classes on a continuous basis to help you understand and comply with the Cigarette and Tobacco Products Licensing Act. To register, visit www.boe.ca.gov/sutax/cigtobclass.htm and select the location you prefer. When a class is scheduled at that location, you will be contacted with the date and time. Classes are offered at all BOE field offices located throughout the state.

We also offer an online seminar that discusses information similar to the instructor-led classes. Visit our website at www.boe.ca.gov/info/VirtualSeminars/VirtualSeminar_online_cig_tob_retail_.htm. The online seminar provides information about licensing, inspections, keeping records, and other resources for the industry. Online seminars are available in English, Spanish, Chinese, Korean, Vietnamese, Arabic, and Punjabi. You can also call our Customer Service Center at 1-800-400-7115 (TTY:711) with questions, or visit www.boe.ca.gov/info/email.html to submit your questions.

What are the requirements for an “itemized” listing of cigarettes and/or tobacco products?

The law requires distributors, wholesalers, manufacturers, and importers to include an itemized listing of the cigarettes and/or tobacco products sold on each invoice for the sale of cigarette and tobacco products. An itemized list of cigarettes sold must include the brand and style names, and the cigarettes must be further identified by flavor, filter, and/or packaging when applicable. The number of cartons or packs sold and the sales price also must be included on the invoice.

Similarly, other tobacco products must be identified by brand, type of tobacco (such as pipe, cigars, and roll-your-own), flavor, packaging (such as pouches, tins, and boxes), quantity sold, and sales price. An invoice is sufficiently itemized and states each item separately if the description is detailed enough to identify the specific items in question without ambiguity.

Annual Taxpayers’ Bill of Rights Hearings

Do you have suggestions for improving our services? Do you have an idea for changing a tax or fee policy or procedure? If you do, come share your ideas and concerns with our Board Members at our annual Taxpayers’ Bill of Rights hearings. You may present your proposal in person or in writing for either the business or property tax portion of the hearings.

Although you are not required to make advance arrangements to speak, it will help us to prepare if you contact the [Taxpayers’ Rights Advocate Office](http://www.boe.ca.gov/info/taxpayers_rights_advocate.htm) at 1-888-324-2798 beforehand to let us know your topic. If your proposal is complex or extensive, we encourage you to submit it in advance and then summarize it in your oral presentation.

The annual Taxpayers’ Bill of Rights hearings for 2016 are scheduled for April 26 in Culver City, and May 24 in Sacramento, both starting at approximately 1:30 p.m.

For more details, please call the Advocate Office, or visit them at www.boe.ca.gov, where you can also view the office’s latest annual report.

For More Information

All telephone numbers are toll-free.

Internet

www.boe.ca.gov
www.taxes.ca.gov

Customer Service Center

1-800-400-7115 (TTY:711)

Requests for Fax Copies

1-800-400-7115
(Choose automated services)

Seller’s Permit

Verification

1-888-225-5263
www.boe.ca.gov

Taxpayers’ Rights

Advocate

1-888-324-2798
www.boe.ca.gov

Tax Evasion Hotline

1-888-334-3300

State Legislation

www.leginfo.ca.gov/bilinfo.html

More Articles Available Online!

There are occasions when we have more articles than we have space for in this print version of the Tax Information Bulletin. The additional articles are available online at www.boe.ca.gov/news/tib15.htm.

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