



CDTFA

CALIFORNIA DEPARTMENT OF
TAX AND FEE ADMINISTRATION

**Assembly Committee on Revenue
and Taxation**

Oversight Hearing
Evaluating California's Newest
Tax Agencies

October 8, 2024

CDTFA Overview

CDTFA administers 42 tax and fee programs

SALES AND USE TAXES

- Sales and Use Tax
- Bradley-Burns Uniform Local Sales and Use Tax
- District Transactions and Use Tax

SPECIAL TAXES AND FEES

- Alcoholic Beverage Tax
- California Tire Fee
- California Firearm & Ammunition Tax
- Cannabis Excise Tax
- Childhood Lead Poisoning Prevention Fee
- Cigarette & Tobacco Products
 - ❖ California Electronic Cigarette Excise Tax
 - ❖ Cigarette & Tobacco Products Licensing
 - ❖ Cigarette Tax
 - ❖ Tobacco Products Tax

Fuel Taxes

- ❖ Aircraft Jet Fuel Tax
- ❖ Diesel Fuel Tax
- ❖ International Fuel Tax Agreement (IFTA)
- ❖ Interstate User Tax
- ❖ Motor Vehicle Fuel Tax
- ❖ Use Fuel Tax
- Electronic Waste Recycle Fee
- Embedded Battery Fee
- Energy Resources Surcharge
- Environmental Mitigation Surcharge
- Hazardous Substances Tax Law
 - ❖ Environmental Fee
 - ❖ Facility Fee
 - ❖ Generation and Handling Fee
- Home Protection for Seniors, Severely Disabled, Families and Victims of Wildfire or Natural Disasters Act
- Insurance Tax
- Integrated Waste Management Fee

Lead-Acid Battery Fees

- Lithium Extraction Excise Tax
- Lumber Products Assessment
- Marine Invasive Species Fee
- Natural Gas Surcharge
- Occupational Lead Poisoning Fee
- Oil Spill Fees
 - ❖ Oil Spill Prevention and Administration Fee
 - ❖ Oil Spill Response Fee
- Telecommunications Surcharges
 - ❖ Emergency Telephone Users Surcharge (911)
 - ❖ Emergency Telephone Users Surcharge (988)
 - ❖ Local Charges for Prepaid Telephony Services
- Timber Yield Tax
- Underground Storage Tank Maintenance Fee
- Water Rights Fee



CDTFA Overview

- **Accounts.** 1.34 million active taxpayer accounts
 - Over 1.0 million sales and use tax accounts
 - 340,000 special tax accounts
- **Returns.** Process more than 2.9 million returns annually
- **Funds.** Distribute revenue to 46 state funds
- **Team Members.** Approximately 3,800
- **Revenue/Costs.** In FY 2023-24, collected revenue totaling \$96.6 billion at a cost of \$0.66 for every \$100 collected, which is 28.3% below FY 2016-17



CDTFA Overview



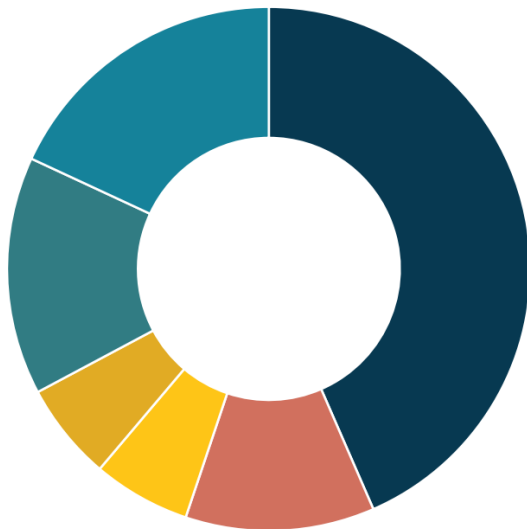
Out-of-State Offices
 Chicago
 Houston
 New York

California Offices
 Bakersfield
 Cerritos
 Diamond Bar
 El Centro
 Fairfield
 Fresno
 Glendale
 Irvine
 Oakland
 Rancho Mirage
 Redding
 Riverside
 Sacramento
 Salinas
 San Diego
 San Francisco
 San Jose
 Santa Rosa
 Stockton
 Ventura



CDTFA Overview

- In FY 2023-24, collected sales and use tax revenue totaling \$79.6 billion
- Distributed sales and use tax revenue to the General Fund, 423 special taxing jurisdictions, 58 counties, and 483 local jurisdictions



2023-24 Sales and Use Tax Revenues

	Billions of Dollars FY 2023-24
State General Fund	\$34.6
Local Revenue Fund 2011	9.3
Local Public Safety Fund	4.8
Local Revenue Fund	4.8
Bradley-Burns	11.8
Special District	14.4
TOTAL	\$79.6

Please note: Detail may not compute to total due to rounding.



CDTFA Overview

- In FY 2023-24, administered 37 special tax and fee programs which resulted in revenues totaling \$17.0 billion



2023-24 Special Taxes and Fees Revenues

Billions of Dollars FY 2023-24	
Fuel	\$9.2
Alcohol and Tobacco	1.8
Cannabis	0.7
All Other Special Taxes and Fees	5.3
TOTAL	\$17.0

Please note: Detail may not compute to total due to rounding.



New Programs

- Cannabis Taxes
 - Prop. 64 (2016)
 - SB 94 (2017)
 - AB 195 (2022)
- Economic Nexus/ Marketplace Facilitator Act (AB 147, 2019)
- Electronic Cigarettes (SB 395, 2021)
- Lithium Extraction Tax (SB 125, 2022)
- Covered Battery-Embedded Waste Recycling Fee (SB 1215, 2022)
- Environmental Mitigation Surcharge (SB 54, 2022)
- Firearm and Ammunition Excise Tax (AB 28, 2023)



Focus on Taxpayer Service

- **Call Center.** In FY 2023-24, the average call wait time was 2.5 minutes, a reduction of 50% compared to FY 2017-18
- **Refund Processing**
 - Two-thirds of claims are processed within 10 days of receipt
 - Despite an increase in refunds claims, CDTFA today processes a higher percentage of claims within 10 days than were processed in 60 days in FY 2016-17
- **Audits.** Reduced aged audit assignments by 24% despite challenges hiring auditors
- **Payment Plans.** Made it easier for taxpayers to enter into payment plans



Focus on Taxpayer Service

- **Appeals.** Since 2018, reduced the time to resolve appeals by more than one-third
- **Offer in Compromise Program.** Reduced process from 9-12 months to 30 days
- **Petitions for Redistribution.** Eliminated backlog and closed 13,487 aged cases, some dating back to 1998
- **Disaster Relief.** Worked with Legislature to simplify process for penalty and interest relief and allow proactive relief in disasters



Focus on Taxpayer Service

- **Taxpayers' Rights Advocate**

- Reports directly to CDTFA director and ensures prompt and fair treatment of taxpayers
- Handles constituent issues related to CDTFA-administered taxes, upon legislative request
- In FY 2023-24, the TRA responded to 52 legislative inquiries and 438 taxpayer inquiries - average response time of less than one day



Public Input and Feedback

- Interested Parties Meetings
- Regulatory Workshops
- Annual Taxpayers' Bill of Rights Hearing
- Cannabis Tax Advisory Committee
- CDTFA Tax Advisory Committee and Tax Practitioner Meetings
- Taxpayer Surveys
- User Testing
- Tax and Fee Education Events



Leveraging Technology

- **CROS Implementation.** Final acceptance of system in 2021
- **Delinquency Automation.** Automated the process for resolving delinquent returns for smaller businesses, allowing greater focus on larger collection cases
- **Return Analytics Pilot Project**
 - Use data to identify reporting errors early, before they turn into large liabilities
 - As of August 2024, resulted in \$95.2 million in additional revenue
 - Dollar return per hour is approximately \$29,000 v. \$924 for audits
- **Interactive Data Visualization Tool.** National Award winner, Federation of Tax Administrators



Looking Ahead

- Implement new tax programs
- Establish Guided Path sales and use tax return
- Continue to harness data to improve compliance
- Engage with taxpayers in a digital world
- Hiring challenges



Contact

Nicolas Maduros
Director
nick.maduros@cdtfa.ca.gov

