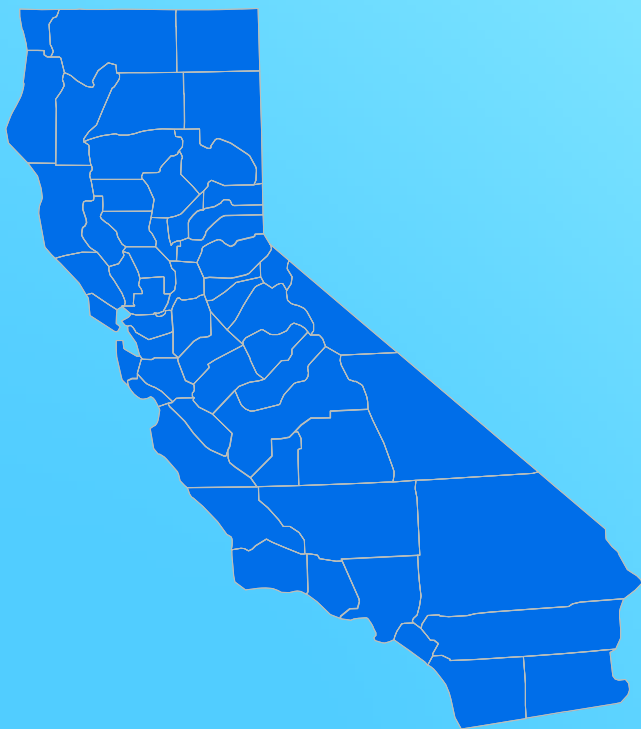


# Guide to Sales Tax Returns in California



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# Guide to sales tax returns in California

California has some of the most complex sales tax laws in the nation; for one thing, it's one of the few states to boast hybrid sourced sales tax rules, with origin-based county and state sales taxes, as well as destination-based district sales taxes.

These complexities make filing a timely, accurate sales tax return a significant challenge, yet failing to do so can lead to serious consequences. Simple errors on your part can result in costly penalties or even get your sales tax permit revoked. Correctly preparing a return is a three-step process:

1. Find and assemble the information you need to complete a California sales tax return.
2. Identify your filing frequency and due dates.
3. Choose the best filing option, file your return, and send payment.

Consider this guide your one-stop shop on how to file and make payments for your California sales tax returns.



## Step 1

# How to calculate your California sales tax

Before you can start working on the actual return, you'll need to collect the sales information for your tax period (a calendar quarter for most businesses; see the next section for more details). The California Department of Tax and Fee Administration (CDTFA) online tax return system will tell you what information you need, but you'll find the process easier if you have everything ready to go before you start your return.

## Sales transactions

Every seller will need to know two things to complete their California sales tax return: how much they sold, both in gross sales and in taxable sales, and to whom they sold it. You are required to collect and pay sales tax for any tangible personal property sold to residents of California, with certain exceptions (for example, the buyer has a resale certificate). You'll also need to report your gross California sales – meaning your total sales revenue from buyers located in California — regardless of whether or not those sales were taxable.

**In addition to your gross sales, filing a sales tax return requires the following sales transaction information at a minimum:**

- Taxable sales by type (i.e., food, fuel, alcoholic beverages, tobacco products). Different types of products are subject to different tax rules and amounts, so you'll need to know how your total taxable sales break down.
- Nontaxable sales by type (i.e., sales to resellers, nontaxable labor, nontaxable foods).
- Deductions such as shipping charges.
- Total collected sales taxes.

## Special taxing jurisdictions

In addition to paying state sales taxes, you will likely also have to worry about district sales taxes. In brief, any time you make a sale to a buyer located in a city that charges more than the base 7.25% state tax, you'll want to collect the extra taxes for that district. For example, buyers in Los Angeles are subject to a 2.25% district tax in addition to the 7.25% state tax. Any time you make a sale to a Los Angeles resident, you would want to charge a total of 9.5% in sales taxes. There are hundreds of **sales tax districts in California**; compare that to the seventy-five or so **districts in New York State**, and you can see why preparing your California sales tax return is especially challenging.

Technically, you're not required to charge those extra district taxes to buyers located outside your district (meaning any district where you have a location that gives you nexus, such as an office or warehouse). But using this "hybrid-origin" approach adds quite a bit of hassle to calculating your sales taxes at the time of purchase and also means that your buyers in other districts are responsible for paying those district taxes themselves in the form of a use tax.

For more information about how district taxes work, see **Publication 44** on the CDTFA website. The most recent list of **city and county sales and use tax rates** (which includes those special district rates) is also posted to the CDTFA website.

### Other required information

Some sellers will need yet more information to complete their sales tax returns. For example, out-of-state sellers will need a list of all sales by county (in order to complete Schedule B). And if you made monthly prepayments, you'll need those amounts so that you'll know how much remains to be paid for the quarter at the time you file the return. If you file online, the CDTFA website will prompt you to add any extra details you'll need for the return and associated schedules.

Gathering all this information can be an immense hassle, especially for e-commerce sellers juggling transactions across multiple platforms and marketplaces. But, if you use TaxJar, we condense it all into a single report for you, greatly simplifying the tax filing process and saving you time and energy.

## Step 2

# When to file a return

The timing for filing your return depends on your average monthly sales tax liability. Most businesses are required to file California sales tax returns quarterly. Sellers with an average monthly sales tax liability of \$100 or less can file semi-annually or annually. You'll find the latest **filing due dates** [here](#).

You can calculate your average monthly sales tax liability by looking at your most recent California sales tax return and finding the amount you owed the state, then breaking that number out on a monthly basis. For example, if your last California sales tax return was a quarterly return, and you owed the state \$15,000 in sales taxes, then your average monthly sales tax liability would be \$5,000 (\$5,000 for every month in the quarter).

Any business holding a California sales tax permit must file a sales tax return on every due date, even if they have no sales tax to report.

In that situation, you'll fill out the return but not submit any payment. If you don't file a return by the due date, the CDTFA will send you a series of reminders to file. If you still fail to complete the return, your **sales tax permit** will be terminated. And without a sales tax permit, you can no longer legally sell taxable personal property in California.



## California sales tax prepayments

Some sellers file quarterly California sales tax returns but are required to make monthly prepayments. According to **Section 6471 of the California Sales and Use Tax Law**, any seller with an average monthly sales tax liability of \$17,000 or more has to make prepayments.

If you are required to make prepayments, then instead of paying your sales tax liability at the time you file your return, you'll need to make a payment each month during the quarter *before* you file that quarterly return. Prepayments are due on or before the 24th day of the following month. In other words, your January prepayment would be due on or before February 24, your February prepayment would be due on or before March 24, and you'd make your March payment when you file your first-quarter sales tax return at the end of April.

### Each monthly prepayment has to be either:

- At least 90% of the tax liability due for that month, or
- At least one-third of the quarterly tax liability from the same quarter in the previous year (so for your January 2020 prepayment, it would have to be at least one-third of your first quarter 2019 California sales tax payment).

Just to make things extra complicated, the rules for second-quarter prepayments are a little different.

The initial prepayment, for the month of April, follows the usual 90%-or-one-third guidelines. However, the second prepayment, for the month of May, is actually considered to be a prepayment for May 1 through June 15.

### As a result, it must equal one of the following amounts:

- 135% of the tax liability for May, or
- 90% of the tax liability for May plus 90% of the tax liability for the first half of June, or
- At least one-half of the quarterly tax liability from the same quarter in the previous year

These elaborate rules surrounding prepayments can create endless headaches for California sellers. Fortunately TaxJar is here to help; with **AutoFile**, all your prepayments will be taken care of automatically.

### Success!

Your California AutoFile enrollment request has been submitted to the AutoFile Verification Team.

[Enroll Another State](#)



### California

Enrollment scheduled

First AutoFile: October 2020

### Step 3

## Completing and filing a return

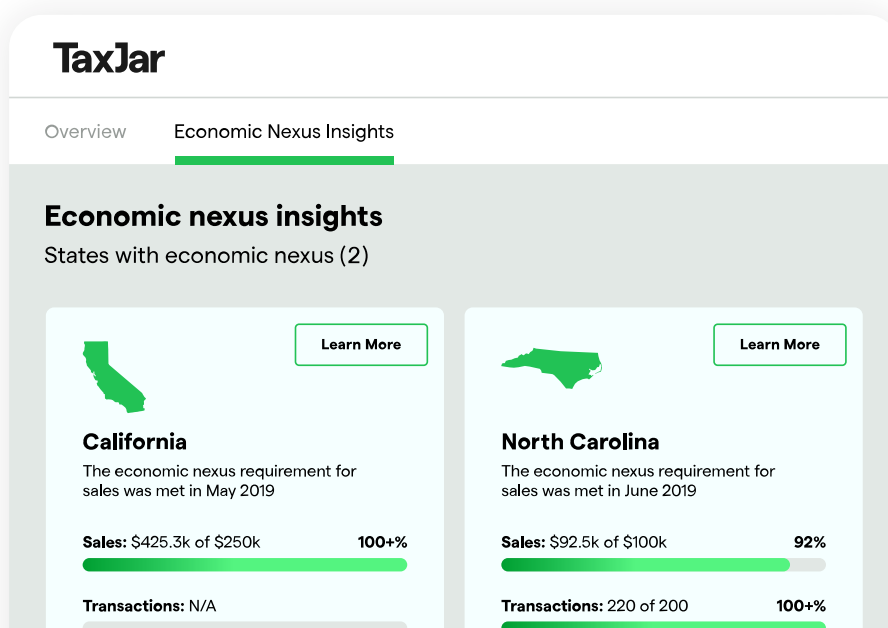
When you have all the information you need, you can finally get to work filing your return. Most businesses have two options for filing their California sales tax returns — online or via mail. If you're a TaxJar customer, you'll have access to the AutoFile service, which automates the entire filing process.

### Online

Filing online is the best choice for most businesses and is mandatory for businesses with an estimated monthly sales tax liability of \$10,000 or more. Your estimated monthly sales tax liability is simply the amount you estimate you will owe the state of California in sales taxes in an average month; if you have previously filed a California sales tax return, you can use the amount on that return to come up with your estimated monthly liability.

The California Department of Tax and Fee Administration (CDTFA) has an online filing system that will walk you through entering your information to generate the return. To file your sales tax return online, start by logging into the [California Department of Tax and Fee Administration](#) website and choose Sales and Use Tax in the Accounts tab, then click the File Return link next to the correct filing period.

The website will walk you through [a series of questions](#) about your business and your sales transactions for the period. If you're a TaxJar customer, you can pull this information straight from the [Transaction Insights tab](#) within the TaxJar California Report. The site will prompt you to create any required schedules to attach to your return.





Quite frequently, the sales tax due to the state will be different from the amount you collected from your buyers. This may be due to a miscalculation at the time of the transaction or simply rounding issues from how the online tax return platform calculates your taxes due based on your revenue details.

- If you collected more sales tax than you owe, you have two choices: give the extra taxes back to the appropriate buyers, or pay the entire amount to the state. The latter option is far simpler, so it's the option most sellers choose.
- If you under collected sales taxes, you'll still have to pay the state the full amount due.

## Mail

If you qualify because your estimated monthly sales tax liability is under \$10,000, you can use the **401EZ** (the short form sales and use tax return) to file your returns by mail. You'll find the instructions on pages two through four of the PDF form. Mail in the form and a check for the total sales tax due to the address on the first page of the 401EZ.

The screenshot shows the TaxJar dashboard with three rows of tax return processing information. Each row includes a status icon, a detailed message about the return's status and deadline, a date for the next processing cycle, and a box with the state name, enrollment type, and date.

State	Status	Amount	Deadline	Enrollment	Enrollment Date
New York	Processing	\$6,928.00	August 20, 2021	AutoFile Monthly	Jul 10, 2021
Florida	Processing	\$201.62	August 20, 2019	AutoFile Monthly	Jan 12, 2021
Georgia	Submitted	\$1,029.33	August 20, 2019	AutoFile Monthly	Jan 12, 2021

## AutoFile

TaxJar customers can have their California sales tax returns filed for them **automatically**. Once you enroll in TaxJar AutoFile, TaxJar will collect the information from your various marketplaces and use it to prepare and submit sales tax returns and payments for that state. You'll no longer need to spend hours staring at long, complicated computer screens, or try to track down odd rounding issues.

AutoFile will even take care of your prepayments, if necessary — which means you won't have to worry about figuring 90% or one-third of anything. In short, if you've elected to sign up for TaxJar's AutoFile program for the state of California, you won't need to lift a finger at tax filing time!

## Work on your business, not your taxes

Now that you understand the complexities of filing a **California sales tax return**, you can turn to the #1 sales tax automation software, **TaxJar**. Trusted by more than 20,000 organizations, developers and accounting professionals, we focus on solving a problem no one wants to deal with — sales tax.

**We obsessively leverage technology and exceptional customer service to help you focus on what matters most — growing your business.**

# TaxJar

**See what TaxJar can do for you.**

**Schedule a demo today**