



**CDTFA**  
CALIFORNIA DEPARTMENT OF  
TAX AND FEE ADMINISTRATION

# Interest, Penalties, and Collection Cost Recovery Fee

## PREFACE

This publication is intended to answer many of the questions asked about when and how interest charges, penalty charges, and the collection cost recovery fee (CRF) may apply. We provide examples of common situations where these charges apply and information about how these charges can be waived. This publication may not cover all scenarios related to all interest, penalties, and CRF that we administer.

We administer California's sales and use, fuel, tobacco, alcohol, and cannabis taxes, as well as a variety of other tax and fee programs. The taxes and fees we collect support local essential services such as transportation, public safety and health, libraries, schools, social services, and natural resource management programs through the distribution of tax dollars going directly to local communities.

If you need additional information, please visit our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), or call our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

We welcome your suggestions for improving this or any California Department of Tax and Fee Administration (CDFTA) publication. Please send your suggestions to:

Audit and Information Section, MIC:44  
California Department of Tax and Fee Administration  
PO Box 942879  
Sacramento, CA 94279-0044

*Please note:* This publication summarizes the law and applicable regulations in effect when the publication was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this publication and the law, decisions will be based on the law and not on this publication.



# CONTENTS

<i>Section</i>	<i>Page</i>
Overview	1
When Do Interest, Penalty, and the Collection Cost Recovery Fee Charges Apply?	2
How Do Interest, Penalty, and the Collection Cost Recovery Fee Charges Apply?	12
Relief from Interest, Penalties, and the Collection Cost Recovery Fee	13
Interest on Refunds and Credits	16
For More Information	17

## OVERVIEW

### Situations that can result in interest and penalty charges

The reasons for interest and penalty charges vary. For example, you may be assessed interest and penalty charges if you:

- File a late return and/or make a late payment.
- Do not include a payment or a sufficient payment with your balance-due return.
- Do not report tax on a taxable transaction.
- Calculate tax at the incorrect rate.
- Do not file a return.
- Operate a business without the required CDTFA-issued permits or licenses.
- Misuse a resale or exemption certificate.
- Make sales without a valid permit.
- Knowingly collect sales tax reimbursement or use tax (tax) and fail to remit the tax to us.

These and other examples are discussed in more detail on the following pages.

### Collection Cost Recovery Fee

We are required by law to impose a collection cost recovery fee (CRF) on past due liabilities. The CRF is intended to cover costs incurred while obtaining payment of past due amounts and it applies to most tax and fee programs administered by us.



# WHEN DO INTEREST, PENALTY, AND COLLECTION COST RECOVERY FEE CHARGES APPLY?

## Late filing or payment

**File a return.** You must file your tax return and pay the tax by the due date. If the due date falls on a Saturday, Sunday, or legal holiday, your return and payment will be considered timely if you file a return and pay the tax the next business day.

Additional information on filing is available in [publication 439, Online Services](#).

**Mailed returns or payments.** To be timely, tax returns and payments mailed to us must be postmarked on or before the due date. If the due date falls on a Saturday, Sunday, or legal holiday, returns postmarked by the next business day are considered on time.

*Please note:* If you use a commercial delivery service rather than the U.S. Postal Service, you will need to retain proof of when the return or payment was sent.

**Credit card payments.** Your credit card payment must be completed before midnight (Pacific time) on the due date for the reporting period to be considered timely. *Please note:* If your account requires payment by Electronic Funds Transfer (EFT), you will incur a penalty if you pay by credit or debit card. These are not considered acceptable methods of EFT payment.

**Electronic funds transfer (EFT) payments.** If you pay your taxes by EFT, your payment must settle into our bank account by the first banking day following the tax due date. Depending on what method you use, there is a cutoff for making a timely payment.

- ACH Debit – If you submit your payment online directly through CDTFA, you must complete your transaction by the due date. If you pay [online](#) on the due date, your transaction must be completed by 3:00 p.m. (Pacific time), to ensure your funds settle into the state's bank account by the next banking day.
- Third Party Vendor – If you submit your payment through the state's third-party payment processor, [First Data](#), and it is the due date, you must complete your transaction by 3:00 p.m. (Pacific time), and select the next banking day as your debit date.
- ACH Credit – You must contact your financial institution to determine when to initiate your payment so that your payment settles into the state's bank account no later than the first banking day following the due date.

## Charges that will apply to late tax return filings and late payments

*Please note:* The following information does not apply to late prepayments.

**Penalties.** You are subject to:

- A 10 percent penalty if you do not file your tax return by its due date.
- A 10 percent penalty if your tax payment is late.

If you file a late return and make a late payment, your penalty will not exceed 10 percent of the amount of tax due for the reporting period. [See next page for exceptions.](#)

*Example:* You have a tax amount due of \$1,000 for the reporting period. You file a late return and make a late tax payment. As noted above, a 10 percent penalty applies for the late payment and the late return filing. In this example, the total penalty amount is limited to \$100 (10 percent of your total tax amount due).

## Exceptions:

### Alcoholic Beverage Tax Program:

- A 10 percent penalty or \$50.00, whichever is greater, will apply if you do not file your tax return by its due date.

### International Fuel Tax Agreement Program:

- A 10 percent penalty or \$50.00, whichever is greater, will apply if you do not file your tax return by its due date.

### Emergency Telephone Users (911) Surcharge Program:

- A 10 percent penalty or \$10.00, whichever is greater, will apply if you do not file your tax return by its due date.

### Cannabis Tax Program:

- A 10 percent late payment penalty and a 50 percent failure to pay penalty will apply if you do not file your return or pay your tax by its due date.

*Example:* You are a cannabis distributor with a tax amount due of \$1,000 for the reporting period. You file a late return and make a late tax payment. A 10 percent penalty applies for the late payment and the late return filing pursuant to the Fee Collections Procedures (FCP) Law. In addition, a 50 percent penalty also applies according to Cannabis Tax Law section 334013(f). In this example, the total penalty amount is limited to 10 percent (per FCP Law) plus the 50 percent penalty pursuant to the Cannabis Tax Law, so 60 percent penalty will apply.

### Oil Spill Prevention and Administration Fee Program:

- A \$500 penalty will apply if you do not file your annual information report by its due date.

**Interest.** If your payment is late, you will owe interest charges in addition to penalty charges. Interest is due for each month or fraction of a month the tax payment is late.

If you file your return late, we will automatically calculate your interest and penalty charges. If you are filing a late paper return with a late payment, you can calculate and report the amount of interest due by using the interest rate shown at the bottom of your return (it will show a monthly rate that is based on the annual rate). If you file a late return and do not report the interest due, we will determine the amount and send you a bill.

*Example:* Your tax amount due is \$1,000 and payment is due on or before April 30. However, you do not make your tax payment until May 20, and the adjusted interest rate shown at the bottom of your tax return is .0075 ( $9\% \div 12$ ). To calculate interest, you would multiply \$1,000 x .0075 to arrive at the interest charge to be paid, which is \$7.50.

Assuming the same facts as above, except you did not submit your tax return until June 3. Now, you would owe twice the amount of interest, or \$15.00. The reason for this is that one month's interest is due for each month or fraction of a month that the payment is late. Since the payment was delayed until June 3, you would owe one month's interest for May, plus one month's interest for the fraction of the month in June. Interest is not compounded.





## Failure to pay by EFT

The information in this section applies to account holders that are required to pay taxes through EFT.

If you are a mandatory participant in the EFT program, but you do not pay through EFT and you incorrectly use another means (such as, pay by check or credit card), you will be subject to a 10 percent penalty on the taxes paid. You must make your tax payments by EFT unless we advise you in writing that you are no longer required to do so.

*Please note—multiple penalties.* If you are also subject to penalties for late filing and late payment, your penalty will not exceed 10 percent of the amount of tax due.

## Late tax prepayments

This section applies to account holders that pay taxes on a *prepayment* basis.

**Interest.** Interest is generally not charged on late tax prepayments as long as the full tax is paid by the due date on your return (see exception below). However, interest is charged on any tax payments, including prepayments, if the payment is made after the due date for the return. Interest is charged monthly and it is calculated starting on the date after the return was due through the date the tax is paid. See [Charges that will apply to late tax return filings and late payments](#), for an example of how interest is calculated.

*Exception:* For sales and use tax account holders, you will still be charged interest for a late prepayment if we grant you relief from the prepayment penalty. Interest is charged monthly and it is calculated starting on the date after the prepayment was due until the date of payment. See [Relief from Interest, Penalty, and Collection Cost Recovery Fee](#), for information on how to request relief.

**Penalties.** A six (6) or ten (10) percent penalty will apply if your prepayment is late.

The Prepayment Chart below shows prepayment requirements, prepayment due dates, and the applicable late prepayment penalty.

### Prepayment Chart

Program	Prepayment Requirements	Prepayment Due Date	Late Prepayment Penalty
Sales and Use Tax	Businesses averaging \$17,000 in monthly taxable sales	Due on the 24 <sup>th</sup> day of the months the return is not filed.	6%
Motor Vehicle Fuel Tax	Businesses averaging monthly tax liability of \$900,000 or more	Due on 15 <sup>th</sup> day following each monthly period.	6%
Hazardous Waste Facility Fee	Each operator must make two prepayments	Due on last day of February and last day of August.	10%
Hazardous Waste Generator Fee	Each generator shall make a prepayment	Due on last day of August.	10%

**Six percent.** If a prepayment is made after the prepayment due date, but before the due date for the return, a 6 percent penalty applies. This amount can be increased to 10 percent if we determine that the prepayment was late as the result of negligence or intentional disregard of the Sales and Use Tax Law or Motor Vehicle Fuel Tax Law (for example, a continued failure to file prepayments or a continued underreporting of prepayments).

If we determine that the 10 percent penalty for negligence or intentional disregard applies, we will mail a notice of deficiency determination to allow you an opportunity to dispute the penalty by filing a timely petition for redetermination. For instructions on how to file a petition for redetermination, please refer to [publication 17, Appeals Procedures: Sales and Use Taxes and Special Taxes](#).

**Ten percent.** A 10 percent penalty applies to taxes that are paid after the due date of the return, including any tax prepayments made after the due date. If you have made prepayments for the reporting period and are late in your final payment, the 10 percent penalty is based on your total tax amount due minus any payments, including prepayments that are made by the due date.

### Failure to file a return

If it is determined that you should have filed a tax return, but failed to do so, we will send a Notice of Determination (bill) indicating the amount you owe, including interest and penalty charges.

**Interest.** The interest charged for unpaid taxes is the same as that charged on taxes paid with returns that are filed late. See [Charges that will apply to late tax return filings and late payments](#), for an example of how interest is calculated.

**Penalties.** The penalty for failure to file a return is 10 percent of the tax amount that is due for each bill. An additional 25 percent penalty applies if the failure to file was due to fraud or intent to evade the tax, and you may be subject to criminal prosecution.



If you fail to file your Emergency Telephone User Surcharge Return, the penalty is the greater of 10 percent or \$10.

### CDTFA billings

In some instances, an unpaid tax amount due will be discovered by our staff during an examination of your records. Our staff will determine the amount due and send you a bill. Interest and penalty charges may also be included in those bills.

#### Nonpayment or late payment of a bill

If we determine you owe tax, we will send you a Notice of Determination (bill). The bill will indicate the amount you owe, including interest, penalty, and CRF charges (if applicable). The bill will also explain your appeal rights.

Generally, if you do not pay the tax amount due by the due date on the notice (30 days from the date the bill was issued), an additional 10 percent penalty will apply to the amount of overdue tax unless you file a timely appeal, as explained in the Notice of Determination. Please refer to [publication 17, Appeals Procedures Sales and Use Taxes and Special Taxes](#), to file a timely appeal.

When we make a decision on your appeal, you will receive a *Notice of Redetermination*. If you do not pay the tax amount due by the due date for the redetermination (30 days from the date the notice was issued), a 10 percent penalty will apply to any unpaid tax amount due.

Interest continues to accrue on any unpaid tax whether or not an appeal is filed.



## Negligence or fraud penalties

If we find that you did not report tax because of negligence or intentional disregard of the law, a 10 percent penalty will be added to the bill. If we find that the tax was not reported due to fraud or with the intent to evade the law, a 25 percent penalty will be imposed. In addition, you may be subject to criminal penalties.

## 40 percent penalty for failure to pay sales tax reimbursement or use tax collected from customers on time

A 40 percent penalty can apply if you collect sales and use tax but fail to pay it to us. We review each situation to determine if there was reasonable cause or an unforeseen circumstance that resulted in you failing to pay your taxes.

The penalty will not be assessed if any of the following apply:

- The unreported tax averages less than \$1,000 each month, or
- The unreported tax is less than 5 percent of the total tax due from that period.

The failure to file and pay is due to reasonable cause or circumstances beyond your control, such as:

- A death or serious illness in the immediate family.
- A natural disaster or catastrophe directly affecting the business.
- We sent tax returns to a wrong address.
- You fail to make a timely payment only once over a three-year period, or once during the period in which you were engaged in business, whichever time period is shorter.
- You voluntarily corrected errors in paying sales tax or use tax collected and paid the amount due as a result of those errors prior to being contacted by us regarding possible errors or discrepancies.

The penalty applies when you knowingly collect tax and fail to timely pay the amounts owed to the state. If you have been penalized, you can request relief by proving reasonable cause or circumstances beyond your control that affected reporting tax. See [Relief from Interest, Penalties, and CRF](#).

## Improper use of a resale certificate

As the holder of a seller's permit, you may issue a resale certificate to purchase property that you will resell in the regular course of business. If you issue a resale certificate timely and in good faith, the seller from whom you purchase the property will not charge you an amount for sales tax or use tax.

If a resale certificate is provided with the intent to evade reporting or paying tax to the seller when purchasing property *which you know at the time of purchase will be used rather than resold*, you may be charged with a misdemeanor under [Revenue and Taxation Code section 7153](#). Each offense is punishable by a fine of not less than \$1,000 and not more than \$5,000 or imprisonment not exceeding one year, or both the fine and imprisonment.

**Interest.** If you misuse a resale certificate, you will owe the tax that should have been paid, plus interest on that tax. Interest is calculated in the same manner as interest for taxes that are paid late. See [Charges that will apply to late tax return filings and late payments](#), for an example of how interest is calculated.

**Penalties.** The penalty for the improper use of a resale certificate is \$500 for each transaction or 10 percent of the amount of tax due, whichever is higher.

In addition, if you fail to report and pay use tax due on the use of the improperly purchased property, you may be liable for the 10 percent penalty for negligence or the 25 percent penalty for fraud.

For more information, please see [Regulation 1668, Sales for Resale](#).

## Misuse of a Certificate of Farming Use

If you issue a [CDTFA-608, Certificate of Farming Use](#), to purchase diesel fuel without tax and know at the time of purchase you will not use the diesel fuel on a farm for farming purposes, you will be liable for the diesel fuel tax, a penalty in the amount of 25 percent of the tax or \$500, whichever is greater, and interest. The tax, applicable penalties, and interest shall be immediately due and payable.



## Use tax on motor vehicles, aircraft, mobilehomes, vessels, and commercial coaches

In general, you will owe use tax if:

- You purchase one of the above items from someone who is not engaged in business as a seller of those items (from a private party, for example); and
- You use, store, or otherwise consume the property in this state.

If you owe use tax, you must file a return and make a payment to us unless you:

- Purchase a vehicle, undocumented vessel, or commercial coach that must be registered with the Department of Motor Vehicles (DMV). DMV will collect the use tax from you.
- Purchase a mobilehome that must be registered with the California Department of Housing and Community Development (HCD). HCD will collect the use tax from you.

The due date for the use tax payment varies by the item and with whom it is registered. For information on due dates, please call our Customer Service Center at 1-800-400-7115 (CRS:711).

**Interest.** You will owe interest on your use tax amount due if you:

- Pay less than the correct amount due (for example, you may have paid an incorrect amount because the purchase price was understated).
- Do not file a return (including failing to register with DMV or the HCD).
- File a return, but do not pay tax.
- Make a late payment or file a late return.

Interest is due for each month or fraction of a month the tax payment is overdue. If you paid less than the correct amount of tax when it was due, the interest applies only to the additional tax due. See [Charges that will apply to late tax return filings and late payments](#), for an example of how interest is calculated.

**Penalties.** One or more of the following penalties may apply to your use tax return and/or amount due:

- 10 percent for failing to file a return (including failing to register with DMV or the HCD).
- 10 percent for late payment.
- 10 percent for late filing of a return.
- 10 percent for negligence.
- 10 percent for failure to pay the correct amount of tax (the 10 percent would apply only to the additional tax due).
- 25 percent for fraud or evasion.
- 50 percent for registering a vehicle, vessel, or aircraft outside California to evade payment of tax.

## Businesses operating without permits or licenses

You are required to obtain a seller's permit if you are engaged in business in California and intend to sell or lease items that are ordinarily subject to sales tax when sold at retail (even if you make no retail sales). If you do not obtain a valid seller's permit prior to the date in which the first tax return is due, you are subject to penalty and interest charges.

In addition to a seller's permit, you may be required to obtain other licenses, permits, or accounts depending on the nature of the business. For example, you are required to hold a *Cigarette and Tobacco Products Retailer's License* as well as a seller's permit, if you are a retailer of cigarette or tobacco products.

### Penalties.

**Sales and use tax.** In addition to the 10 percent penalty for failure to file a return by its due date, an additional 50 percent penalty may apply if it is determined you knowingly failed to obtain a valid seller's permit prior to the date the first sales and use tax return was due, in order to evade the tax. The 50 percent penalty applies to the sales and use taxes that should have been paid during the period you were engaged in business in California without a valid seller's permit. If your taxable sales during the period averaged \$1,000 or less per month, the 50 percent penalty does not apply. The 50 percent penalty also does not apply to sales of vehicles, vessels, or aircraft if the transaction is subject to a 50 percent penalty for registering outside of California to evade payment of tax.

*Please note:* As provided in [Revenue and Taxation Code section 6077\(a\)](#), retail florists who sell without a valid California seller's permit are subject to an additional penalty of \$500.

**Cigarette and tobacco products tax.** If you become a cigarette or tobacco products distributor without first securing a license, the penalty for an unlicensed person is 25 percent of the amount of tax or \$500, whichever is greater. This is in addition to the 10 percent penalty for failure to file a return by its due date.

**Diesel fuel tax.** If you become a diesel fuel supplier without first securing a license, the penalty for an unlicensed person is 25 percent of the amount of tax or \$500, whichever is greater. This is in addition to the 10 percent penalty for failure to file a return by its due date.

**Motor vehicle fuel tax.** If you become a motor vehicle fuel supplier without first securing a license, the penalty for an unlicensed person is 25 percent of the amount of tax. This is in addition to the 10 percent penalty for failure to file a return by its due date.

**Citations.** If a citation is issued, the business owners will be required to appear in court and may be subject to fines up to \$5000 and/or imprisonment. Any back taxes, including penalty and interest, must also be paid. Other penalties may also apply.

**Interest.** The interest charged for unpaid taxes is the same as that charged for returns that are paid late. See [Charges that will apply to late tax return filings and late payments](#) for an example of how interest is calculated.

For information on the different tax and fee program requirements, please visit our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), or call our Customer Service Center at 1-800-400-7115(CRS:711). You may also refer to [publication 73](#), *Your California Seller's Permit*, or [Regulation 1699](#), *Permits*.

### Motor vehicle fuel and diesel fuel backup tax

In California, the motor vehicle fuel tax and the diesel fuel tax are due when fuel is removed from the rack (terminal) or imported into California. If the diesel fuel tax or motor vehicle fuel tax was not imposed, or was refunded, as applicable, on fuel that is placed into the fuel tank of a motor vehicle, you will owe the fuel tax as a backup tax. In addition to the backup tax, a penalty of 25 percent of the amount of tax or \$500, whichever is greater, will be imposed.



### Using dyed diesel fuel on California roads or highways

Using dyed diesel fuel to power vehicles on California roads and highways is not permitted unless you are authorized to do so by federal and state law and are licensed by us. The penalty for each violation of unauthorized use of dyed diesel fuel on California roads and highways is \$10 for every gallon of dyed diesel fuel involved or \$1,000, whichever is greater. The penalty for each subsequent violation will increase by multiplying the penalty amount by the number of prior violations, including the penalty currently being determined and any previous penalties. The penalty is generally imposed against the vehicle owner.

### Cannabis tax evasion

Any person who willfully evades or attempts (in any manner) to evade the reporting, assessment, or payment of the cultivation tax, the cannabis excise tax, or the sales tax that would otherwise be due is guilty of cannabis tax evasion. Violators are subject to fines and/or imprisonment.

Examples of cannabis tax evasion include, but are not limited to:

- Distributors collect the cultivation tax from cultivators or manufacturers, but intentionally fail to report and pay the cultivation tax to the CDTFA.
- Distributors collect the cannabis excise tax from cannabis retailers, but intentionally fail to report and pay the cannabis excise tax to the CDTFA.
- Any person that is required to be licensed as a cannabis distributor, but intentionally does not collect the cultivation tax or the cannabis excise tax and pay it to the CDTFA.

## Cigarette and tobacco products tax violations

A retailer of cigarettes or tobacco products must retain purchase invoices for a period of four years. The records must be kept at the retail location for at least one year after the purchase.

If you possess, store, own, or have made retail sales of tobacco products on which tax is due, but has not been paid to us, we or a law enforcement agency are authorized to seize such tobacco products.

It is a misdemeanor if you violate these requirements. Each offense shall be punished by a fine not to exceed \$5,000, or imprisonment not exceeding one year in county jail, or both the fine and imprisonment.

## Swap meets, flea markets, and special events

Operators of swap meets, flea markets, and other special events must prepare special reports and meet other requirements related to those events. Those operators who fail to comply with these requirements are subject to a penalty of \$1,000 per offense. For more information, please refer to [publication 111](#), *Operators of Swap Meets, Flea Markets, or Special Events*, or contact your [local office](#).

## Failure to participate in the amnesty program

From February 1, 2005, to March 31, 2005, the State of California offered an amnesty program for sales and use tax amounts due for tax reporting periods that started before January 1, 2003. In general, you were eligible for amnesty unless you were on notice of a criminal investigation or criminal court proceeding initiated against you as of February 1, 2005.

The amnesty program relieved you of unpaid penalty charges on amounts due reported and paid under the program. The program also required us to impose additional penalties if you did not participate in the program. See next section.

## Amnesty 50 percent interest penalty

This penalty is based on the unpaid tax amount as of March 31, 2005, and is equal to 50 percent of the interest on the unpaid tax from the day following the due date of the tax through March 31, 2005. The penalty applies if you:

- Qualified for amnesty, but did not participate in the program; or
- Participated in the program, but understated your amount due; or
- Participated in the amnesty program, but failed to pay all the tax due or enter into an amnesty payment plan agreement by May 31, 2005.

We may relieve you of penalties, including the amnesty penalties, if we determine you failed to make a timely return or payment due to reasonable cause and circumstances beyond your control. If your payment or return filing was late because of failure to exercise ordinary care or because of willful neglect, you will not be granted relief from the penalties. See [Relief from Interest, Penalties, and CRF](#). If you already paid the penalty for which you would like to request relief, you must file a claim for refund with us. See [publication 117](#), *Filing a Claim for Refund*, for information about filing for a refund. The publication includes a [CDTFA-101](#), *Claim for Refund or Credit*, that you may complete and return to us. Our forms and publications can be found under *Forms & Publications* at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

*Please note:* Tax amounts due being paid on a payment plan agreement in place as of January 1, 2005, or being paid on an amnesty payment plan are not subject to 50 percent interest penalty.



## Amnesty double penalties

After March 31, 2005, in addition to the 50 percent interest penalty, normally applicable penalties are doubled on unreported tax amounts due for periods that were eligible for amnesty. The amnesty 50 percent interest penalty is excluded from doubling.

Penalties imposed under the amnesty program may be relieved for circumstances beyond your control.

## Sales suppression software programs and devices

It is a crime for anyone to knowingly, sell, purchase, install, transfer, or possess software programs or devices that are used to hide or remove sales and to falsify records.

Using these devices gives an unfair competitive advantage over business owners who comply with the law and pay their fair share of taxes and fees. Violators could face up to three years in county jail, fines of up to \$10,000, and will be required to pay all illegally withheld taxes, plus penalties, including applicable interest and fees.

## All sales of counterfeit goods are taxable

If you are convicted of trafficking counterfeit goods, then all of your sales and purchases of those counterfeit goods will be considered taxable. This applies whether you are a manufacturer, wholesaler, distributor, or a retailer of the counterfeit goods. You may no longer claim a resale deduction for the sale of counterfeit goods, and any purchases made of counterfeit goods for subsequent resale will also be taxable.

Counterfeit goods commonly refer to property with a counterfeit mark. In general terms, a counterfeit mark is a mark that is identical with or substantially indistinguishable from a mark registered with the United States Patent and Trademark Office. In California, it is illegal for any person to willfully manufacture, intentionally sell, or knowingly possess for sale, counterfeit goods.

We may bill you for unpaid sales or use tax within one year after the last day of the calendar month following the date of conviction. By billing convicted counterfeit goods traffickers, we are discouraging the criminal sale of counterfeit goods and leveling the playing field for all businesses.

If you suspect counterfeit goods are being sold, please visit the Department of Justice website for Tax Recovery in the Underground Economy (TRUE) webpage. There, you will find information on how we are teaming up with other agencies to combat illegal business activities and how you can report a crime.

## Collection Cost Recovery Fee on past due amounts

We impose a collection cost recovery fee (CRF) on past due liabilities. You may be assessed a CRF if you:

- Do not pay your amount due in full within 90 days after the demand notice is issued.
- Do not timely enter into a payment plan and successfully complete the terms of the agreement.

The CRF applies to each final billing greater than \$250 that remains unpaid more than 90 days after the date a demand notice is issued. The CRF may only be imposed if we have mailed a demand notice requiring payment and advising you that continued failure to pay the amount due may result in collection action.

*Please note:* The CRF does not apply to the Jet Fuel Tax, Motor Vehicle Fuel Tax, and Insurance Tax (Tax on Insurers) programs.



## HOW DO INTEREST, PENALTY, AND COLLECTION COST RECOVERY FEE CHARGES APPLY?

**Interest.** The rate of interest applied to underpayments of taxes differs from the rate of interest paid on overpayments of taxes. In general, the interest rate is based on the rate charged by the Internal Revenue Service plus 3 percent and applies to unpaid or underpaid taxes. Every January and July the rates are evaluated. A rate change, if required, takes effect six months later and remains in effect for at least six months after the date rate is changed.

*Please note:* Interest rates applicable to IFTA (International Fuel Tax Agreement) accounts are set at an annual rate of two percentage points above the underpayment rate established under section 6621 (a)(2) of the Internal Revenue Code, adjusted on annual basis on January 1 of each year. The interest rate applicable to Surplus Line Brokers are set to 1 percent per month per the Insurance Code section 1774.5(e).

For the most current rate information, select [interest rates](#) at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), or call our Customer Service Center at 1-800-400-7115 (CRS:711). We may waive interest charges under limited circumstances as explained under [Relief from Interest, Penalties, and CRF](#).

The annual interest rate for underpayments and overpayments of taxes are established using the specific guidelines found in [Revenue and Taxation Code section 6591.5](#). The monthly interest rate is calculated by dividing the annual rate by 12. Accordingly, if the annual rate is 9 percent, the monthly rate is .75 percent (9 percent divided by 12).

Interest is calculated on a per-month basis. That is, one month's interest is charged for each month or fraction of a month that a payment is late. For example, if a payment is three days late, a full month's interest is due. Or, if a payment is one month and three days late, two month's interests is due.

*Please note:* For timber tax account holders, interest accrues on a daily basis.

Interest accumulates from the day after the tax is due. Interest on refunds and credits accumulates from the day after the return or tax was due, for which the overpayment was made.

**Penalties.** As explained on the previous pages, the penalty percentage amount depends on the type of program, penalty, and whether more than one penalty applies.

**Collection Cost Recovery Fee.** The Collection Cost Recovery Fee (CRF) applies to each final bill greater than \$250 that remains unpaid more than 90 days following the issuance of a demand notice. An amount due does not need to include tax for the CRF to be assessed; the CRF will apply even if only interest or penalty amounts remain due. If multiple bills exist for a specific reporting period, a separate CRF will be assessed for each amount due. However, a bill covering multiple reporting periods, such as an audit, will only be subject to one CRF. Interest, penalty, and additional CRF charges do not accrue on a CRF.

CRF rates are re-calculated and adjusted periodically to ensure the total CRFs assessed are equal to the collection costs incurred by us. Revised CRF rates will become effective on January 1 and will apply only to bill periods not previously assessed a CRF. For current fee amounts, please check our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

The CRF will not be assessed if you either pay your amount due in full or timely enter into a payment plan. You must successfully complete the terms of the Installment Payment Agreement (IPA) to avoid the CRF. If the IPA is terminated or cancelled, a CRF will be assessed based on the remaining balance of each amount due period that is more than 90 days past due and which has a balance greater than \$250.

## RELIEF FROM INTEREST, PENALTY, AND COLLECTION COST RECOVERY FEE

It is possible to have interest, penalty charges, and/or CRF waived under limited circumstances. If one of the situations described below applies to you, contact our [Customer Service Center](#) for advice on how to claim the relief. You may request relief from interest, penalty, and/or CRF on our website. Go to [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), then select the [Online Services](#) tab, then select the [Request Relief](#) tab.

### Reliance on erroneous written advice

You may be relieved of tax, penalty, and interest charges due on a transaction if we determine that you failed to pay tax because you reasonably relied on erroneous written advice from us regarding the transaction. For this relief to apply, we must have received a written request for advice on the transaction, the request must have identified the taxpayer to whom the advice applied, and the writer must have fully described the facts and circumstances of the transaction. Our written reply must have advised the writer of the taxability of the transaction and the conditions that had to be met.

If this situation applies to you, please call our Customer Service Center at 1-800-400-7115 (CRS:711) for information on how to file a claim for relief from payment.

*Please note:* Receiving erroneous verbal advice from our employee does not relieve you of tax, penalty, or interest charges. Relief also does not apply if you rely on written advice that is given to a different person, even if your transactions are similar.

### Late returns and payments as the result of a disaster

Interest and penalty charges can be waived for late tax returns and payments if they are submitted late because of a disaster. Disaster means fire, flood, storm, tidal wave, earthquake, or a similar public calamity, whether or not it results from natural causes.

If you are unable to file a return or make a tax payment on time because of a disaster, you must either file a statement with us under penalty of perjury stating the facts upon which you are basing your claim for relief, submit a [CDTFA-735, Request for Relief From Penalty, Collection Cost Recovery Fee, and/or Interest](#), or you may request relief from interest, penalty and/or CRF on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), then select the [Online Services](#) tab, then select the [Request Relief](#) tab.

Interest, penalty charges, or CRF cannot be waived if it is determined that the return or payment was willfully filed late or was late as the result of negligence.



## Extension of time

The law allows us, for good cause, to extend the due date for filing a tax return or for paying tax that is due. The request for the extension must be filed prior to or within the period for which the extension may be granted, and the extension cannot exceed one month, or three months in the case of a disaster.

If you are granted an extension of time to file your return and file it by the extended due date, there is no penalty for filing late. If you are granted an extension of time to pay your tax and pay it by the extended due date, there is no penalty for a late payment; however, you must pay interest during the extension period. Interest may be waived in cases of public disaster. See [previous section](#).

Interest is charged for each month or fraction of a month that the return is submitted after the due date for the reporting period. See [Charges that will apply to late tax return filings and late payments](#), for an example of how interest is calculated.

You may request an extension of time to file a tax return on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), then select the [Online Services](#) tab, then select the [Request Relief](#) tab.

## Circumstances beyond your control

You may apply for relief from penalty charges and/or CRF if, because of circumstances beyond your control, you:

- Are unable to file your return or make a tax payment on time.
- Are unable to make a payment by electronic funds transfer (This applies to taxpayers who are required to pay by EFT).

We may relieve you of the penalty and/or CRF if we find that your failure to pay was due to reasonable cause and circumstances beyond your control and occurred notwithstanding the exercise of ordinary care and the absence of willful neglect. You may request relief on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

Interest charges, however, cannot be waived (except in cases of disaster), see [Late returns and payments as the result of a disaster](#).

If your payment or return filing was late because of failure to exercise ordinary care, willful neglect, or lack of funds, you will not be granted relief from the penalty or the CRF.

*Please note:* In certain cases, you may be eligible to request relief for interest on electronic payments made one business day late. For more information, see [CDTFA-734, Request for Interest Adjustment Electronic Payments–One Day Late](#).

## Late penalty imposed in error

If you made your payment by EFT on time, but we show it was late, you may file a [CDTFA-129-EFT, EFT Transmission Declaration](#), available at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), stating that the payment in question was made on time.

If you file your return on time, but our records indicate it was late, you may submit a Declaration of Timely Mailing under request relief by logging onto our Online Services portal on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), then select the [Online Services](#) tab, then select the [Request Relief](#) tab. You may be required to show us related records or bank account information, in some instances.

If we conclude that the EFT transmission was on time or that you did mail your payment or return on time, we will correct our records to show that no late penalty or interest is due.

## Errors or delays caused by the CDTFA or the DMV

For tax amounts due arising on or after July 1, 1999, interest may be waived if you did not pay your tax amount due to:

- An unreasonable error or delay by a CDTFA employee acting in an official capacity, or
- An error made by the DMV in calculating the use tax due on a vehicle or vessel registered with the DMV.

If you believe you are entitled to relief from interest charges for either of the reasons described above, you must file a statement with us under penalty of perjury stating the facts that apply to your situation, by either requesting relief from interest, penalty and/or CRF on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), or submitting a [CDTFA-735, Request for Relief From Penalty, Collection Cost Recovery Fee, and/or Interest](#). We will not grant a waiver of interest charges if it concludes a significant part of the error or delay was caused by your own actions.

## Penalty charges and payment plans

As explained in any CDTFA bill notice (for example, a *Notice of Determination*), a 10 percent penalty applies if you receive a bill and do not pay the tax due within 30 days. However, the 10 percent late payment penalty will be waived if you qualify for, and enter into, a payment plan and complete the installment payments on time. A payment plan must be entered into within 45 days of the due date on the notice.

*Please note:* The 10 percent late penalty will not be waived if a bill includes a fraud penalty assessment.

## Multiple penalties

If you have been assessed multiple penalties for a tax amount due—but were charged only 10 percent because of the limitations discussed under [How Do Interest, Penalty, and Collection Cost Recovery Fee Charges Apply?](#)—your request for relief must explain the reason for delay for each penalty. That is, you must be granted relief for each penalty to avoid all penalty charges.

## Reconsideration of a relief of penalty or CRF request

If your request for relief of penalty or CRF is denied, you may be able to request reconsideration of the denial.

You must submit your written request for reconsideration within 30 days of the date your relief request was denied. The request should be sent to the staff representative that sent you the denial letter or to your nearest [local office](#). You should include in your request any new information to be considered.

## INTEREST ON REFUNDS AND CREDITS

We may pay interest on tax overpayments that are refunded or credited to your account.

If we determine that a tax, penalty, or interest payment exceeds the amount required by law, we will first credit the amount of the overpayment against any other tax or fee amounts owed to the state. If an excess amount remains, that amount will be refunded (or credited) to the person who made the overpayment.

Interest, however, is not applied to overpayments if we determine that the overpayment was the result of carelessness or was intentionally made. Also, if you request that we defer action on your claim for refund and we agree to do so, we may require that you waive interest for the period of time the refund is deferred.

### Interest charged on refunds issued in error

If we issue a refund in error, we may recover the refunded amount. A bill to recover the excess refund will be mailed to you.

*Please note:* If we find that the erroneous refund was not caused by the person or any related party liable for payment of the tax, no interest will be charged until 30 days after we mail the bill (there are many reasons an erroneous refund may occur; it is not necessarily caused by you filing a claim for refund).



## FOR MORE INFORMATION

For additional information or assistance, please take advantage of the resources listed below.

### CUSTOMER SERVICE CENTER

1-800-400-7115

CRS:711

Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. In addition to English, assistance is available in other languages.

### OFFICES

City	Telephone Number
------	------------------

Bakersfield	1-661-395-2880
Cerritos	1-562-356-1102
Culver City	1-310-342-1000
El Centro	1-760-352-3431
Fairfield	1-707-862-3501
Fresno	1-559-440-5330
Glendale	1-818-543-4900
Irvine	1-949-440-3473
Oakland	1-510-622-4100
Rancho Mirage	1-760-770-4828
Redding	1-530-224-4729
Riverside	1-951-680-6400
Sacramento	1-916-227-6700
Salinas	1-831-754-4500
San Diego	1-858-385-4700
San Francisco	1-415-356-6600
San Jose	1-408-277-1231
Santa Clarita	1-661-222-6000
Santa Rosa	1-707-890-6267
Ventura	1-805-856-3901
West Covina	1-626-671-3702

### Out-of-State Offices

Chicago, IL	1-312-201-5300
Houston, TX	1-713-739-3900
New York, NY	1-212-697-4680
Sacramento, CA	1-916-227-6600

### Motor Carrier Office

West Sacramento, CA	1-800-400-7115
---------------------	----------------

### INTERNET

[www.cdtfa.ca.gov](http://www.cdtfa.ca.gov)

You can visit our website for additional information—such as laws, regulations, forms, publications, industry guides, and policy manuals—that will help you understand how the law applies to your business.

You can also verify seller's permit numbers on our website (see [Verify a Permit, License, or Account](#)) or call our automated verification service at 1-888-225-5263.

Multilingual versions of publications are available on our website at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov).

Another good resource—especially for starting businesses—is the California Tax Service Center at [www.taxes.ca.gov](http://www.taxes.ca.gov).

### TAX INFORMATION BULLETIN

The quarterly *Tax Information Bulletin* (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current TIBs on our website at [www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm](http://www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm). Sign up for our [CDTFA updates](#) email list and receive notification when the latest issue of the TIB has been posted to our website.

### FREE CLASSES AND SEMINARS

Most of our statewide offices offer free basic sales and use tax classes with some classes offered in other languages. Refer to our *Taxpayer Events and Education* webpage at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov) for a listing of classes and locations. You can also call your local office for class information. We also offer *Online Seminars* including the *Basic Sales and Use Tax* tutorial and *How to File your Tax Return* that you can access on our website at any time. Some online seminars are also offered in other languages.

### WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

For written advice on general tax and fee information, please visit our website at [www.cdtfa.ca.gov/email](http://www.cdtfa.ca.gov/email) to email your request.

You may also send your request in a letter. For general sales and use tax information, including the California Lumber Products Assessment, or Prepaid Mobile Telephony Services (MTS) Surcharge, send your request to: Audit and Information Section, MIC:44, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0044.

For written advice on all other special tax and fee programs, send your request to: Program Administration Branch, MIC:31, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0031.

### TAXPAYERS' RIGHTS ADVOCATE

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see [publication 70](#), *Understanding Your Rights as a California Taxpayer*, or contact the [Taxpayers' Rights Advocate Office](#) for help at 1-916-324-2798 or 1-888-324-2798. Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0070.



## Regulations, forms, publications and industry guides

### *Lists vary by publication*

Selected [regulations](#), [forms](#), [publications](#), and [industry guides](#) that may interest you are listed below. Spanish versions of certain publications are also available online.

### **Regulations**

- 1668 Sales for Resale
- 1699 Permits

### **Publications**

- 17 Appeals Procedures Sales and Use Taxes and Special Taxes and Fees
- 70 Understanding Your Rights as a California Taxpayer
- 79 Documented Vessels and California Tax
- 111 Operators of Swap Meets, Flea Markets, or Special Events
- 117 Filing a Claim for Refund
- 152 Cigarette and Tobacco Product Inspections
- 439 Online Services
- 473 Things to Know Before You Buy Cigarette and Tobacco Products

### **Forms**

- CDTFA-101 Claim for Refund or Credit
- CDTFA-129-EFT EFT Transmission Declaration
- CDTFA-734 Request for Interest Adjustment Electronic Payments-One Day Late
- CDTFA-735 Request for Relief from Penalty, Collection Cost Recovery Fee, and/or Interest

**FOLLOW US ON SOCIAL MEDIA**



**PUBLICATION 75 | AUGUST 2020**

**CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION • 450 N STREET • SACRAMENTO, CALIFORNIA  
MAILING ADDRESS: P.O. BOX 942879 • SACRAMENTO, CA 94279-0001**