

# California provides additional indirect tax relief to businesses

December 8, 2020

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## In brief

The California Department of Tax and Fee Administration (CDTFA) on December 1 announced that business owners needing financial assistance may receive immediate indirect tax relief in the form of automatic filing extensions, interest-free payment plans, or a hiring tax credit of up to \$100,000 to offset income or sales and use taxes. [[CDTFA Offers Immediate Tax Relief to Small Business Owners \(12/1/20\)](#); [Executive Order N-25-20 \(3/12/20\)](#)]

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## In detail

The CDTFA administers California's sales and use, fuel, tobacco, alcohol, and cannabis taxes, as well as a variety of other taxes and fees.

### Automatic payment and filing extensions

Taxpayers filing CDTFA returns for less than \$1 million in tax will automatically be granted a three-month extension on payments and returns originally due between December 1, 2020 and April 30, 2021. For example, fourth quarter 2020 returns and payments will now be due in April 2021. Eligible taxpayers are not required to make a request to take advantage of this extension.

### Interest-free payment plans

Businesses with annual taxable sales of \$5 million or less can apply for a 12-month, interest-free payment plan to defer payment of up to \$50,000 in sales and use tax liability for the fourth quarter of 2020 and first quarter of 2021. The deferred tax would be paid in 12 equal monthly installments, with the first payment due in April 2021. All existing interest-free payment plans will remain in place.

Businesses with sales greater than \$5 million in sectors particularly impacted by operational restrictions due to the pandemic may also apply for an interest-free payment plan. CDTFA will extend these payment arrangements to all businesses demonstrating a significant drop in sales, regardless of annual sales volume.

### Hiring credit to offset tax

Beginning December 1, 2020 and continuing through January 15, 2021, CDTFA is accepting applications through its online reservation system for qualified small business owners to reserve up to a \$100,000

hiring tax credit. The small business hiring tax credit allows a small business employer to offset income tax or sales and use tax when filing tax returns.

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## The takeaway

California is providing indirect tax relief for a limited time. Businesses facing financial hardship due to the pandemic should consider whether they are eligible to apply for an interest-free payment plan with the CDTFA and a hiring tax credit to offset income tax or sales and use tax. While the penalty and interest relief provisions are automatic, we recommend being proactive with the CDTFA to confirm their availability.

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## Let's talk

If you have any questions about indirect tax relief in California, please contact:

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