

MESSAGE TO DIRECTOR

Ms. Trista Gonzalez, Director
CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

Dear Ms. Gonzalez,

I am pleased to present the 2023-2024 Taxpayers' Rights Advocate's Annual Report. This report features the accomplishments of the Taxpayers' Rights Advocate (TRA) Office and provides examples of how our office has assisted taxpayers.

The TRA Office continues to focus on both educating taxpayers about their rights and responsibilities and on ensuring taxpayers' rights are protected. We also work with the tax program areas on policy and procedure changes that will make it easier for taxpayers to comply with their obligations.

One of the California Department of Tax and Fee Administration's (CDTFA) goals, as outlined in the 2023-2025 Strategic Plan, is to Improve the Taxpayer Experience. The TRA Office will continue to partner with senior leadership and program areas on initiatives to address this goal.

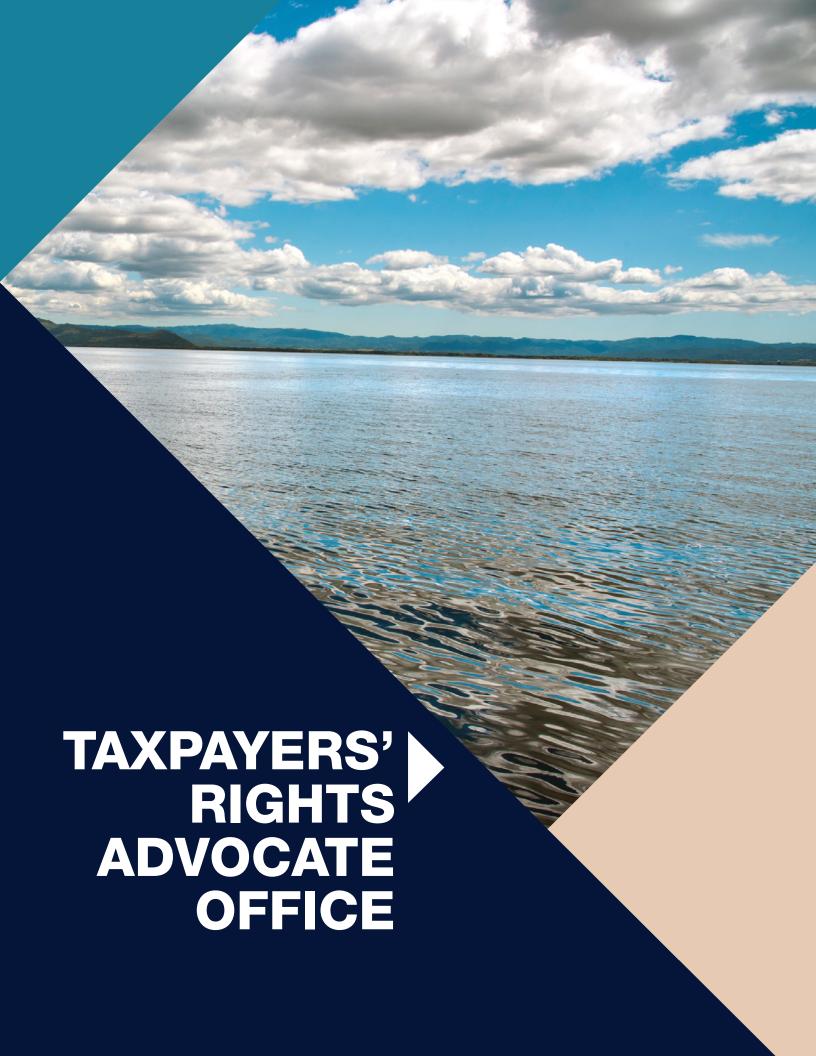
The TRA Office remains dedicated to serving the people of California and its businesses. We would also like to thank the entire CDTFA team for their efforts over the last year.

Respectfully submitted,

Alfred Buck
TAXPAYERS' RIGHTS ADVOCATE

TABLE OF CONTENTS

	MESSAGE TO DIRECTOR
	TABLE OF CONTENTS
	TAXPAYERS' RIGHTS ADVOCATE OFFICE
	Vision, Mission, Goals 1 Profile 2 Public Outreach 5 Fiscal Year 2023-24 Statistics 7
	BUSINESS TAXES ISSUES
	Case Resolution
	TAX APPEALS ASSISTANCE PROGRAM
	Case Resolution
	APPENDICES
	Appendix 1—Outcome of Business Taxes Cases
红色节节果 数多形图》	CONTACT INFORMATION 23



ABOUT US

VISION

To be a trusted voice of reason and fairness when resolving issues between taxpayers¹ and the government.

MISSION

To positively affect the lives of taxpayers by protecting their rights, privacy, and property during the assessment and collection of taxes and fees.

GOALS

- Ensure that taxpayers coming to the Taxpayers' Rights Advocate Office with problems that have not been resolved through normal channels have their concerns promptly and fairly addressed.
- Identify laws, policies, and procedures that present barriers or undue burdens to taxpayers attempting to comply with the tax laws; to bring those issues to the attention of the California Department of Tax and Fee Administration (CDTFA) management; and to work cooperatively to change laws, policies, and procedures where necessary.
- Meet taxpayer needs by opening appropriate channels of communication, providing educational resources, and finding creative solutions to unresolved problems.
- Promote CDTFA's commitment to honor and safeguard the rights of taxpayers.

¹ The term "taxpayers" in this publication means payers of sales and use taxes and special taxes and fees.

PROFILE

Taxpayers' Bills of Rights Mandate a Taxpayers' Rights Advocate

In January 1989, the *Harris-Katz California Taxpayers' Bill of Rights* was placed into law to ensure the rights, privacy, and property of California taxpayers are adequately protected in the assessment and collection of sales and use taxes. All holders of seller's permits and consumer use tax accounts, which together include over 1.1 million taxpayers, are provided protection under this law, which requires a Taxpayers' Rights Advocate (Advocate).

Effective January 1993, the *Special Taxes Bill of Rights* expanded the existing bill of rights to include the special tax and fee programs administered by CDTFA, which currently affect over 237,000 taxpayers in 39 programs. This publication refers to both bills of rights generally as the Taxpayers' Bill of Rights, covering both sales and use taxes and the various special taxes and fees.

Legal Responsibilities of the Taxpayers' Rights Advocate

The responsibilities of the Advocate are specified in law. Consistent with the Taxpayers' Bill of Rights, the Advocate:

- Facilitates resolution of taxpayer complaints or problems, including complaints regarding unsatisfactory treatment of taxpayers by CDTFA;
- Monitors all tax and fee programs administered by CDTFA for compliance with the Taxpayers' Bill of Rights and recommends new procedures or revisions to existing policies to ensure taxpayers are treated fairly and equitably;
- Works with CDTFA to ensure that taxpayer educational materials are clear and understandable; and
- Conducts Taxpayers' Bill of Rights meetings to give the public an opportunity to express their concerns, offer suggestions, and comments.

How the Taxpayers' Rights Advocate Office Fulfills Its Legal Responsibilities

Facilitates resolution of taxpayer complaints or problems

The TRA Office generally assists taxpayers who:

- Have been unable to resolve a matter through normal channels;
- Want information regarding CDTFA procedures;
- Claim their rights were not upheld in the assessment or collection of a tax or fee; or
- Seek confirmation that CDTFA's actions are lawful and consistent with approved policies.

The TRA Office assists taxpayers and CDTFA by facilitating better communication between these parties, which helps eliminate potential misunderstandings. Taxpayers are provided information on policies and procedures so they can better prepare to discuss and resolve their issues with CDTFA.

On rare occasions, a taxpayer lodges a complaint about discrimination or inappropriate interactions. The TRA Office works with appropriate CDTFA management to resolve these complaints. Discrimination, harassment, or wrongful behavior of any kind toward taxpayers or CDTFA team members is not tolerated and is immediately addressed by management.

The Advocate oversees the Tax Appeals Assistance Program, which allows taxpayers who meet certain criteria and have filed an appeal with CDTFA the opportunity to seek free legal assistance. For more information, see the Tax Appeals Assistance Program section.

Monitors programs and recommends policy or procedural changes

In cases where a CDTFA team member's actions are mandated by law, policy, or procedure but where a change appears warranted, the TRA Office works toward clarification or modification of that law, policy, or procedure. Taxpayer suggestions have led to policy and procedural changes, enhancements to training materials, and proposals for legislative change.

The TRA Office routinely brings the taxpayer's perspective to all areas of CDTFA. We contribute to policy discussions and interested parties meetings, meet regularly and discuss specific policies with senior management, and participate in work groups tasked with changing policy and procedures.

Ensures laws, information, and guidance are easy to understand

The TRA Office suggests ideas for new legislation and joins task forces and committees responsible for revising procedures and regulations. Additionally, we routinely review proposed revisions to taxpayer educational materials to ensure they are easy to understand.

Conducts Taxpayers' Bill of Rights Meetings

At annual Taxpayers' Bill of Rights meetings, the TRA Office invites the public to present ideas, discuss issues, express concerns, and share recommendations regarding legislation and other items related to CDTFA's administration of tax and fee programs. The TRA Office then works with the appropriate program areas to address the issues and concerns taxpayers conveyed.

Collaborates with Taxpayer Advocates in other Government Agencies

CDTFA's Advocate meets with taxpayer advocates from the Franchise Tax Board (FTB), the California State Board of Equalization (BOE), the Employment Development Department (EDD), and the Internal Revenue Service (IRS), as well as with the Small Business Advocate in the Governor's Office of Business and Economic Development (GO-Biz) and the Ombudsperson from the Office of Tax Appeals (OTA). The group discusses common problems and systemic issues facing California taxpayers and coordinates outreach to community groups.

Implements the Taxpayers' Bill of Rights

CDTFA assesses and collects business taxes (sales and use taxes and special taxes and fees). The Advocate reports directly to CDTFA's Director and is independent of CDTFA's tax program administration. When the TRA Office receives complaints relating to CDTFA's business tax programs, the office directly accesses all pertinent CDTFA information and communicates with CDTFA team members involved with the taxpayers' issues.

The TRA Office sometimes acts as a liaison between taxpayers and CDTFA team members to resolve these issues. If the Advocate disagrees with a team member's actions and is unable to resolve the situation with program management, the Advocate may ask the Director to intervene. In addition, the Taxpayers' Bill of Rights authorizes the Advocate to take certain actions to protect taxpayers from irreparable harm, such as issuing a stay of collection action, releasing a levy, or ordering the return of levied funds. The Advocate may also release or subordinate a lien when that action will facilitate the collection of the tax liability or will be in the best interest of the State and the taxpayer. The Business Taxes Issues section contains examples of how taxpayers' complaints have been resolved.

PUBLIC OUTREACH

CDTFA notifies the public of the services offered by the TRA Office in many CDTFA publications, on Internet websites, and at public events.

Publications with Taxpayers' Rights Advocate's Office Information

- Publication 70, Understanding Your Rights as a California Taxpayer, contains information about specific taxpayer rights under the law and the Advocate's role in protecting them. It is available in all CDTFA offices and on CDTFA's website.
- Publication 468, California Taxpayers' Bills of Rights Statutes, contains all Taxpayers' Bill of Rights statutes CDTFA administers and is available on CDTFA's website.
- Publication 215, *Tax Appeals Assistance Program*, explains to prospective clients the help available from the Tax Appeals Assistance Program, which the Advocate oversees (see the Tax Appeals Assistance Program section of this report) and is available on CDTFA's website.
- Publication 145, California Taxpayer Advocates (CDTFA, BOE, EDD, FTB, IRS, GO-Biz, and OTA), is posted on the websites of participating state agencies and the California Tax Service Center website, www.taxes.ca.gov.

Articles reminding taxpayers about their rights and referencing publication 70 are published each year in CDTFA newsletters.

Contact information for key TRA Office team members can be found at the end of this Annual Report.

Internet and Telephone

- ▶ The California Tax Service Center website, www.taxes.ca.gov, contains links to all California Taxpayer Advocates' webpages and publication 145, California Taxpayer Advocates, via the Your Rights option under the Contact Us tab.
- The TRA Office's webpage, www.cdtfa.ca.gov/tra, can be accessed from any page of CDTFA's website. The webpage provides our contact information and a means for taxpayers to communicate with the TRA Office directly via email.
- ▶ The TRA Office's toll-free number, 1-888-324-2798, is available as an option on all the field office telephone lines, is referenced in CDTFA publications, and is printed on all CDTFA-issued permits and licenses.

Public Events

The TRA Office ensures the public is aware of its services through the following types of events:

- CDTFA-sponsored events: the Advocate, or designee, attends small business and nonprofit fairs and seminars throughout the state or provides contact information incorporated in the presentation.
- Non-CDTFA-sponsored events: the Advocate presents at conventions, fairs, and conferences designed to assist California business owners. They are sponsored by associated industry and business groups, such as the IRS Nationwide Tax Forum, the annual California Lawyers Association's Tax Policy Conference, and the California Small Business Day in Sacramento.

FISCAL YEAR 2023-24 By the Numbers

Cases

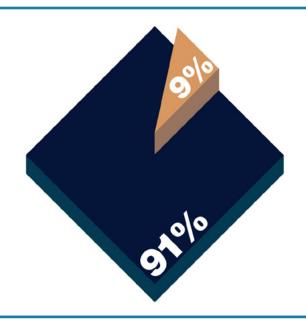
The TRA Office recorded 489 new business taxes cases in fiscal year 2023-24. Of the 489 cases, 91 percent were related to sales and use tax issues, while 9 percent were related to special tax and fee issues.

Percentage of Cases by Tax/Fee Program

Related to sales and use tax issues



Related to special tax and fee issues



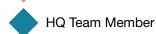
Referrals

To gauge the effectiveness of the TRA Office's outreach efforts and to improve public service, the TRA Office tracks how taxpayers learned of the office. Publications/Notices accounted for the largest source.²

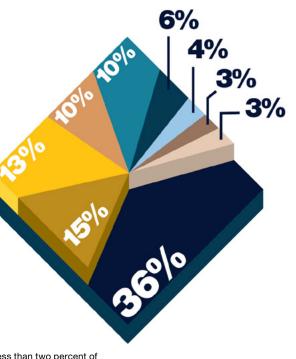
How Taxpayers Discovered the TRA Office









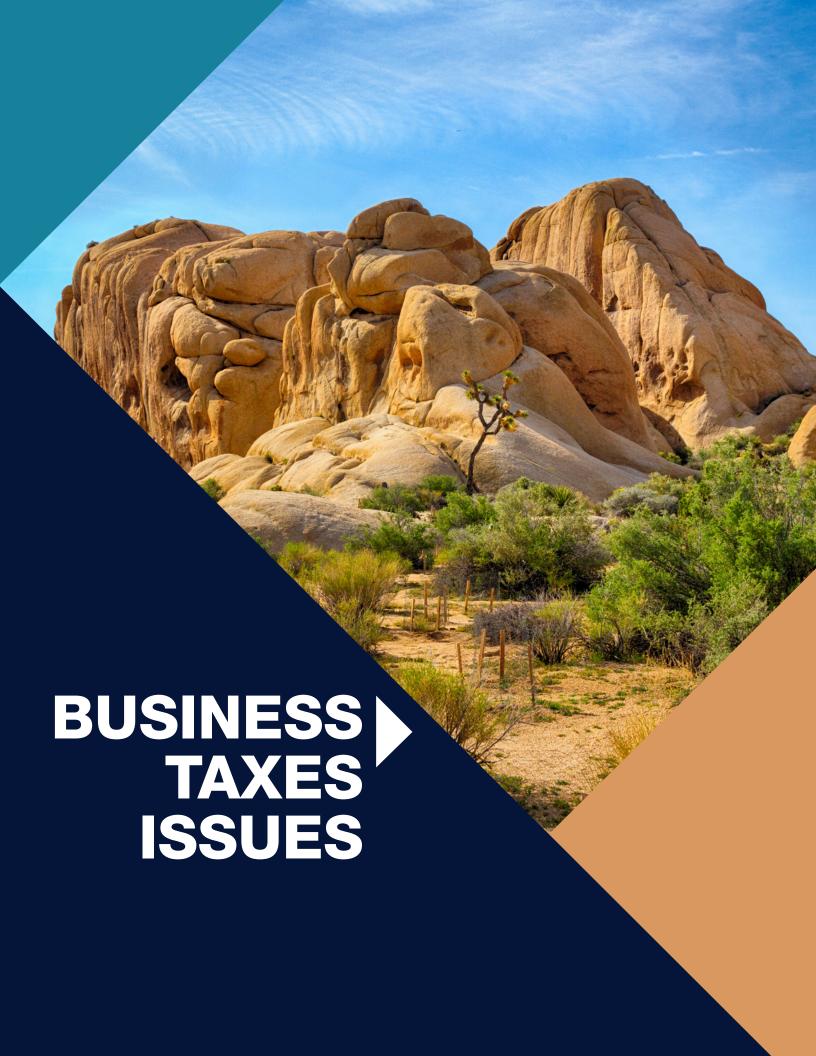


² The "Other" category consists of various types of sources, each comprising less than two percent of the total, including referrals from other agencies, the taxpayers' representatives, and outreach events.

Telephone Calls

The TRA Office received an average of 287 calls per month in fiscal year 2023-24. Ten percent of the calls resulted in new cases. Since the TRA Office's toll-free telephone number is broadly available, the TRA Office receives many contacts from taxpayers and others who seek general information about a tax program or the application of tax law, or from those who have not yet attempted to resolve their concerns with CDTFA through normal channels.

The TRA Office assists all callers, including those seeking information from other state agencies, and directs the callers to the appropriate department, CDTFA section, or individual as necessary. The TRA Office also provides information on resources, such as the CDTFA website.



CASE RESOLUTION

The TRA Office's cases consist of businesses and individuals liable for business taxes. The primary goal of the TRA Office is to ensure that taxpayers contacting the office have their concerns promptly and fairly addressed if they have not been resolved through normal channels.

As illustrated below, the Advocate and TRA Office team members apply their extensive knowledge of CDTFA programs, policies, and procedures to advise taxpayers of their rights and obligations. They explain the tax law, CDTFA policies, and seek creative and appropriate solutions acceptable to taxpayers and CDTFA.

About the Business Taxes Case Statistics

During fiscal year 2023-24, the TRA Office recorded 489 new business taxes cases.

Outcome of Business Taxes Cases

Appendix 1 provides information about business taxes cases categorized by location. A specific CDTFA field office or division or other government agency was designated as the location for a case if the taxpayer contacted the TRA Office with a question, suggestion, or concern regarding a matter originating in one of those specific places. "Other" was generally designated as the location for cases where individuals sought general information or where the office was not disclosed. The TRA Office tracked a broad range of cases and their critical outcomes.

Customer Service Concerns. The TRA Office works collaboratively with other CDTFA team members to prioritize customer service and closely monitors the number and type of customer service concerns in accordance with the Taxpayers' Bill of Rights. Accordingly, the TRA Office requests the field office administrator or Headquarters section manager to investigate customer service complaints and inform the TRA Office of their findings. If the TRA Office notes a trend or pattern regarding the type or number of complaints in a specific CDTFA office, the TRA Office brings the matter to the attention of the Deputy Director of the Field Operations Division or the Business Tax and Fee Division, as applicable.

Customer service complaints are categorized as:

- Communication: providing incorrect information, not acknowledging a taxpayer's concerns, not referring the taxpayer to a supervisor when requested, not answering specific taxpayer questions;
- CDTFA delay: slow response to an inquiry or a delay in issuing a refund, or resolving the taxpayer's case;
- CDTFA team member courtesy: showing disrespect to a taxpayer indicated by the team member's demeanor or comments, or by the way they handled a specific situation; and
- Education: not providing information or providing inadequate information regarding tax law, CDTFA policies and procedures, or training.

Eight percent of all cases this year expressed concerns related to customer service. The customer service statistics were based on taxpayers' statements and may not reflect all relevant facts. Please see Appendix 1 and Appendix 2 for more information.

Case Handling Concerns. After investigating a taxpayer's concerns, the TRA Office ascertains the nature of the issue and where the problem lies. In almost all instances, CDTFA team members handle the situation as required by legal, regulatory, and procedural mandates, but other issues or circumstances may still need to be addressed. As a result, the TRA Office may recommend a different approach to satisfy both CDTFA and the taxpayer.

In instances where the TRA Office disagrees with how the Department handled a case, the TRA Office works with CDTFA team members to resolve taxpayers' concerns and to address issues. These instances comprise a small percentage of the business taxes cases—less than one percent in fiscal year 2023-24 (see Appendix 1). A case is recorded as "disagreed with case handling" only when the TRA Office finds that CDTFA team members:

- Did not adhere to the law or approved policies or procedures;
- Acted contrary to what they told the taxpayer;
- Caused unreasonable delays; or
- Violated the taxpayer's rights.

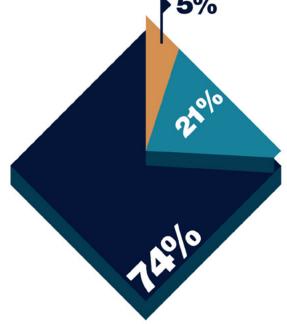
The Advocate meets quarterly with the appropriate bureau chiefs to discuss these cases and to provide the opportunity to address specific training needs.

Taxpayer inquiries cover a wide range of issues

Types of Cases. Business taxes cases are sorted broadly into "compliance," "audit," or "other" categories. The "other" category represents customer complaints, general information requests, and matters involving other government agencies.

Types of Cases





Specific Issues Leading to TRA Office Contacts. Each case may contain a variety of issues that prompt the taxpayer to contact the TRA Office. All issues in each case are tracked, and the most common are displayed in Appendix 2.

Many of the business taxes cases demonstrate the need for general information and guidance. Taxpayers often seek information on a procedure or process, or whether CDTFA's action was necessary and complied with the law and CDTFA policy.

Examples of Business Taxes Cases

The following cases illustrate how the TRA Office offers a fresh look at taxpayers' issues and attempts to resolve them collaboratively with CDTFA's team members.

Taxpayer Obtained a Reaudit and Refund

Issue. A taxpayer sought assistance from the TRA Office regarding an audit liability he believed he overpaid. The audit was completed while the taxpayer's business was in escrow pending sale. The Department received payment in full for the amounts assessed through the audit by submitting a demand for payment through the taxpayer's escrow. To enable the taxpayer to appeal the audit findings, the TRA advisor recommended that the taxpayer file a claim for refund.

Background. The observation (site) test is a method to support recorded total sales or taxable sales, and/ or establish audited total sales or taxable sales. This test requires CDTFA auditors to observe and record a taxpayer's business activity at their business location for a specified period. A site test is a common audit procedure for bar and restaurant audits and the information obtained from a site test can be used to calculate audited sales when the taxpayer's records are determined to be unreliable or if the taxpayer has not provided records. A minimum of one to three days is required, depending on the scope of the site test. Auditors must use the following guidelines to determine the minimum number of days to test:

- One day—may be used as a preliminary examination to verify whether the records the taxpayer provided at the beginning of an audit are adequate and/or reliable. If the preliminary test reveals a material discrepancy, auditors may use this test as a basis to impeach records. However, this test cannot be used to project sales without expanding the period to a full three days.
- Three full days (minimum)—must be used to project sales (for example, cash to credit ratio, for-here vs to-go ratio, and projecting average daily sales.)

Resolution. In addition to advising the taxpayer to file a claim for refund, the TRA advisor performed a review of the two most recent audits on the account. The prior audit resulted in no additional tax liability; however, the most recent audit resulted in a liability of over \$50,000, including a 10 percent negligence penalty.

The TRA advisor found that the most recent audit liability was based on a one-day site test of the business. In this case, the auditor used the credit ratio observed on that one-day test to calculate audited sales for the entire audit period. However, Audit Manual section 0810.30 states that a one-day observation may be used only to verify the reliability of records that have been provided by the taxpayer, not to project sales, which requires a three-day test.

During the TRA advisor's review, they also discovered that the tax on the sale of fixtures and equipment was erroneously paid twice. The fixture and equipment sales were reported once on the taxpayer's final sales and use tax return and again within the audit. After reviewing the audit working papers and taxpayer's account, the TRA advisor communicated their findings with the audit team in the field office that completed the audit. Based on these discussions, the audit team agreed to use the cash-to-credit ratio from a prior audit to calculate audited sales and removed the duplicate assessment of tax on the sale of fixtures and equipment. In addition, the audit staff removed the negligence penalty.

Summary. The TRA Office assisted the taxpayer by reviewing the audit results and sharing its findings with the field office. Based on the TRA Office review, the field office performed a reaudit, resulting in a \$23,000 refund to the taxpayer.

Audit Liability Adjusted to Zero

Issue. A taxpayer was concerned that the auditor in an ongoing audit disallowed his out-of-state sales, which he claimed were exempt from sales tax. The taxpayer maintained that he provided the auditor with adequate documentation to support the out-of-state sales. However, the audit team maintained that the documentation contained insufficient detail to substantiate the sales were out-of-state sales. After the taxpayer requested a written explanation of why the auditor assessed out-of-state sales, the audit team scheduled an exit interview, and the taxpayer contacted the TRA Office.

Background. Sales that meet the requirements under Revenue and Taxation (R&TC) Code, section 6396, and Regulation 1620 are exempt from sales tax.

Resolution. The preliminary working papers reflected a proposed liability of over \$120,000, which included a 10 percent negligence penalty. Imposition of the negligence penalty was unusual because negligence penalties are generally not recommended on a first audit. The TRA advisor asked the audit team to assist the taxpayer and communicate what was needed from him to resolve the issues related to the out-of-state sales. Once all the issues were resolved, the audit was processed as No Opinion Warranted (NOW). This means that the taxpayer's reported returns were accepted.

Summary. The TRA Office helps taxpayers when they are unable to resolve matters through normal channels. In this case, the TRA advisor's knowledge of audits helped facilitate communication between the audit team and the taxpayer, which resulted in no audit liability being assessed.

Dual Determination Assessment Reversed

Issue. An individual was billed April 29, 2022, for the liability of her deceased husband's business. The individual did not agree with the billing because she was not involved in the business which was owned and operated solely by her husband. She did not appeal the billing within the permitted 30-day deadline. Although she did file a late appeal, called an administrative protest, it was not accepted. When a team member gave her a deadline to resolve the liability to avoid collection action, her representative reached out to the TRA Office.

Background. A dual determination is a billing issued to a person other than the person who incurred the primary liability for the tax. R&TC section 6829 authorizes CDTFA to hold a person personally liable for the debts of a corporation under certain circumstances. The corporation that incurred the tax liability remains liable for the liability it incurred, and the Notice of Determination issued to the "responsible person" is a "dual" determination.

Regulation 1702.5 provides in part that a "responsible person" means any officer, member, manager, employee, director, shareholder, partner, or other person having control or supervision of, or who is charged with the responsibility for, the filing of returns or the payment of tax or who has a duty to act for the corporation, partnership, limited partnership, limited liability partnership, or limited liability company in complying with any provision of the Sales and Use Tax Law. The fact that a person possesses any of the aforementioned titles, in and of itself, is not sufficient to establish that the person is a "responsible person."

Under R&TC section 6829, the statute of limitations for issuing a dual determination against a responsible person is three years after the last day of the calendar month following the quarterly period in which CDTFA obtains actual knowledge, through its audit or compliance activities, or by written communication by the business or its representative, of the termination, dissolution, or abandonment of the business. While two persons are billed for the same liability, CDTFA will collect the liability only once.

Resolution. The TRA Office reviewed the account to determine if the individual was a responsible party under the law. After the review, it was discovered that the individual's first contact with CDTFA was August 29, 2018, when she informed CDTFA that her husband had passed away and the business was closing. In addition, there were no other instances of the individual's involvement in the business prior to this contact. Although evidence indicated that the individual was not a responsible person, the TRA advisor also discovered the dual determination was billed after the three-year statute of limitations had passed. In this case, the dual determination could not be issued after January 31, 2022, but it was billed on April 29, 2022, well past the statutory deadline. The TRA advisor reached out to the supervisor with this information. The supervisor agreed with the TRA advisor's findings, and the billing was reversed.

Summary. The TRA Office's independent review and knowledge of sales and use tax law helps taxpayers when they are unable to resolve a matter through normal channels. In this case, the TRA advisor's knowledge of R&TC section 6829 was instrumental in cancelling the billing. In addition, the TRA advisor worked with CDTFA team members to ensure that no collection action was taken during the review and requested a free release of lien.

Release of Levy and Adjustment of Tax Billing

Issue. A taxpayer contacted the TRA Office after his bank account had been levied, resulting in the seizure of \$19,000. The taxpayer is a disabled veteran and claimed that the levied funds were exempt from levy because they were solely from his veteran benefits. The taxpayer also claimed that he did not owe the amount the Department assessed. The Department rejected the taxpayer's claim because, in their view, the taxpayer did not substantiate with sufficient documentation that the levied funds were exempt.

Background. A levy sent by CDTFA is a legal seizure of a person's property to satisfy a tax debt. When the levy is issued to a taxpayer's bank, it typically seizes the funds present in the account at the time the levy is received, up to the levy amount. However, certain funds are exempt from levy under the United States Code (USC) or the California Code of Civil Procedure (CCP). To assert that their funds should not be subject to the levy, taxpayers can file a claim of exemption by using CDTFA-425, *Exemptions from the Enforcement of Judgements*.

Resolution. The TRA advisor reviewed the taxpayer's claim and confirmed that veteran benefits are exempt from levy under 38 USC sections 3101 and 5301 (a) (1). After bringing this matter to the attention of the field office supervisor, the supervisor agreed to hold the levy while the taxpayer provided documentation to show that his income was exclusively from veteran benefits. In the meantime, the TRA advisor informed the taxpayer to file a levy exemption claim form to support that the held funds are exempt from levy. However, despite providing bank statements showing that all deposits were veteran benefits, the levy was not immediately released. After the TRA advisor brought the issue to the attention of the field office compliance principal, the levy was subsequently released.

Additionally, the TRA Office discovered that CDTFA billed the taxpayer for the first and second quarters of 2020 and believed those amounts to be overstated since the Department included the taxpayer's sales made through a marketplace facilitator. When asked about the sales in these quarters, the taxpayer confirmed that in 2020 he only sold through a marketplace facilitator and that the marketplace facilitator collected and reported the sales tax to the Department on those sales. Beginning October 1, 2019, marketplace facilitators are responsible to collect and remit sales tax on behalf of their marketplace sellers. CDTFA should not have billed the taxpayer for sales tax on those transactions.

The Department agreed to adjust its billing when the taxpayer filed his delinquent returns. The TRA advisor also discovered that the taxpayer vacated his storefront location at the end of February 2020 and shared this information with the field office. Based on this finding, the field office agreed to adjust the billing period by changing the permit closure date from June 30, 2020, to March 1, 2020, which eliminated the liability for the second quarter 2020. Once the taxpayer filed his first quarter 2020 return reporting zero taxable sales, the Department cancelled the billing.

Summary. The TRA Office is dedicated to assisting taxpayers when they cannot resolve issues through normal channels. In this case, the TRA advisor's investigation led to the release of the levy and a cancellation of the bill after the taxpayer filed their final return.

Accomplishments

The Department Reimplemented the Notification of Taxpayers Affected by Annexations

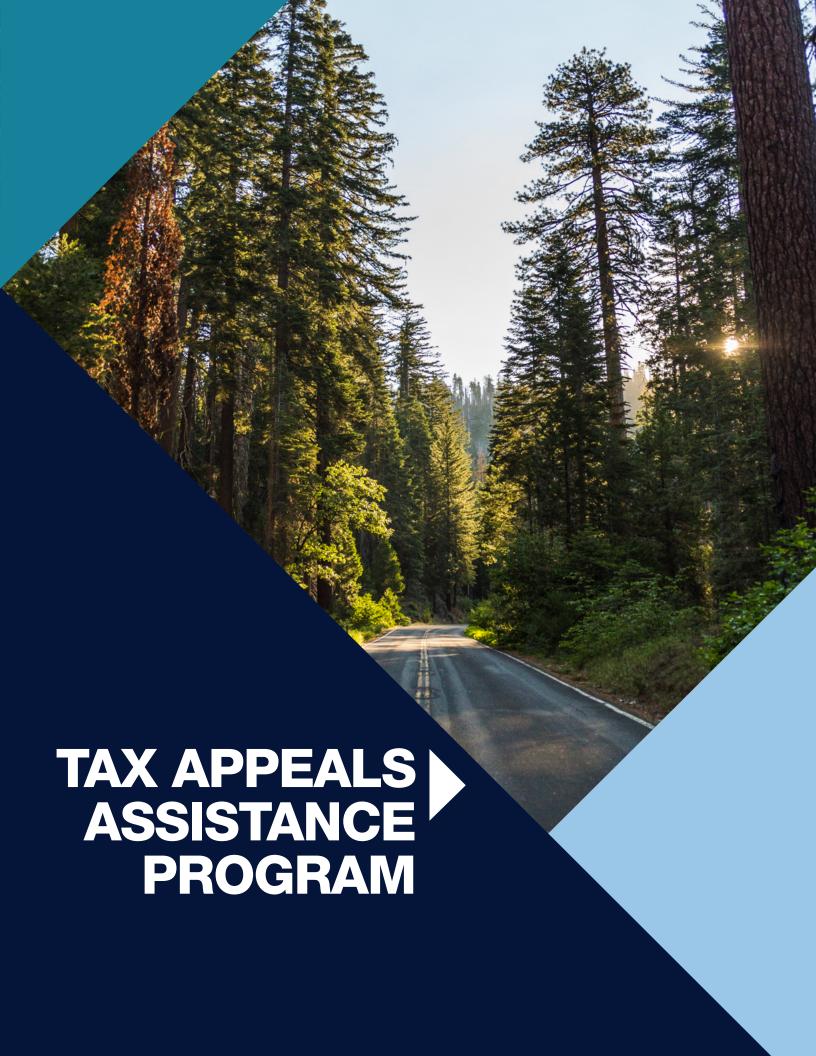
A taxpayer was not aware that his business location was annexed to the City of San Luis Obispo, effective July 1, 2021. As a result of the annexation, the sales and use tax rate applicable to the taxpayer's taxable sales changed from 7.25 percent to 8.75 percent. However, unaware of this change, the taxpayer continued to collect and report at the incorrect rate of 7.25 percent through the 3rd quarter 2022. When the Department informed him about the rate change in early December 2022, the taxpayer started to report at the correct rate of 8.75 percent from 4th quarter 2022 onwards.

Because the taxpayer did not report the correct amount of district tax for the respective quarters, CDTFA issued bills to the taxpayer on March 3, 2023, for 3rd quarter 2021 through 4th quarter 2022, to collect the difference between the tax rate 7.25 percent and 8.75 percent tax rates, plus applicable interest and penalties.

CDTFA strives to inform taxpayers of their obligation to comply with the Sales and Use Tax Law. Historically, CDTFA has informed taxpayers affected by annexations by sending them a letter with the new sales and use tax rate. However, this practice stopped when the Department moved to a new database system.

When the taxpayer reached out to the TRA Office in response to the bills received, TRA worked with senior management to reinstate notification to taxpayers impacted by annexation. The Department began notifying taxpayers of annexations again in March 2023.

Reinstituting taxpayer notification when annexations occur reduces the chance that a taxpayer will collect sales and use tax using the wrong rate and reduces the number of billings the Department would need to issue. Notifying taxpayers of annexations ensures taxpayers know that the effective tax rate has changed and informs them how to find the appropriate tax rate.



The Tax Appeals Assistance Program (TAAP) was created by the Taxpayers' Rights Advocate to provide low-income and underrepresented taxpayers who have filed an appeal with CDTFA the opportunity to seek free legal assistance. TAAP provides taxpayer assistance through the appeals process with CDTFA. Supervised by a CDTFA tax attorney, law students advise qualifying individuals and businesses who have filed appeals under \$30,000. The students research and draft appeal briefs and handle questions on behalf of the taxpayer. TAAP assists taxpayers whose appeals address billings by CDTFA for specific issues within one of the following programs:

- Cigarette Internet Purchases
- Civil Violations of California Cigarette/
 Tobacco Products Licensing Act
- Consumer Use Tax
- Customs
- Dual Determinations

- Environmental Fee
- Generator Fee
- Sales and Use Tax
- Successor Liability
- Underground Storage Tank Fee

TAAP works with several law schools in California. Currently, TAAP works with the following law schools:

- Loyola Law School, Los Angeles
- University of San Diego School of Law
- Chapman University School of Law
- University of California, Irvine School of Law

TAAP is well-received by all law schools and the program's clients. The Advocate will continue to coordinate TAAP cases with both the Appeals Bureau and the Business Tax and Fee Division.

Case Resolution

During fiscal year 2023-24, 397 individuals and businesses were informed about the program, 92 new cases were accepted, and 38 cases were resolved. This year's completed cases have fulfilled the purposes of the program, which are to:

- Provide effective representation to taxpayers with cases that do not economically justify hiring representation;
- Resolve cases to achieve the program objectives of educating and assisting taxpayers in voluntarily complying with California's tax laws while minimizing their tax compliance burden;
- Enhance the preparation and quality of the appeals going to the Office of Tax Appeals (OTA); and
- Promote and achieve more efficient and cost-effective resolution of taxpayer appeals.



Outcome of Business Taxes Cases

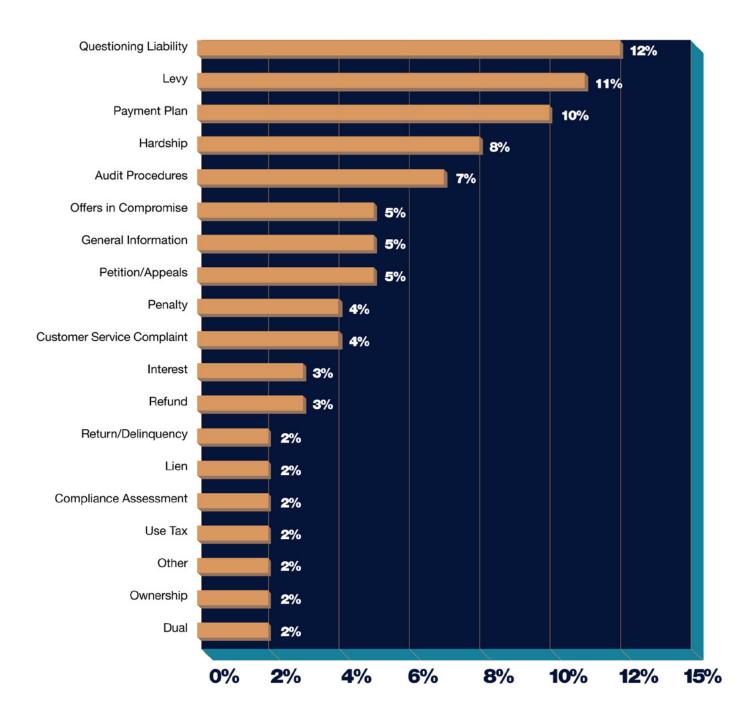
LOCATION	AUDIT	COMPLIANCE	OTHER	TOTAL CASES
Appeals and Data Analysis Branch	0	1	0	1
Appeals Bureau	3	0	0	3
Audit Determination and Refund Section	3	2	0	5
Bakersfield Branch	3	7	0	10
Cerritos Office	7	16	0	23
Consumer Use Tax Section	0	26	1	27
Culver City Office	1	22	0	23
Diamond Bar Office	2	8	0	10
El Centro Branch	1	0	0	1
Fairfield Branch	1	4	0	5
Fresno Office	6	5	1	12
Glendale Office	12	19	0	31
Irvine Office	6	14	1	21
Motor Carrier Office	1	3	1	5
Oakland Office	1	22	0	23
Offers in Compromise Section	0	21	1	22
Other ²	0	4	10	14
Out-of-State Offices	4	7	0	11
Petitions Section	0	1	0	1
Program and Compliance Bureau	1	26	1	28
Rancho Mirage Branch	1	1	0	2
Redding Branch	1	4	0	5
Riverside Office	9	27	0	36
Sacramento Office	13	47	2	62
Salinas Branch	1	1	1	3
San Diego Office	6	13	0	19
San Francisco Office	3	13	0	16
San Jose Office	2	16	1	19
Santa Clarita Office	1	0	0	1
Santa Rosa Office	4	2	1	7
Tax Investigations and Inspections Bureau	1	1	0	2
Unknown	1	0	1	2
Use Tax Administration Section	0	5	1	6
Ventura Office	3	7	0	10
West Covina Office	3	20	0	23
Total	101	365	23	489

CUSTOMER SERVICE COMPLAINT	CASE HANDLING CHANGED ¹		
0	0		
1	1		
1	0		
2	1		
4	3		
2	5		
3	4		
1	1		
0	1		
0	1		
0	0		
5	3		
1	2		
0	0		
0	3		
0	1		
0	0		
0	3		
0	0		
2	1		
0	0		
0	0		
5	3		
6	6		
0	0		
0	2		
2	0		
1	0		
0	0		
0	0		
1	1		
0	0		
0	0		
0	0		
4	6		
41	49		

¹ Involvement by the TRA Office resulted in a change to the outcome of a case. See the Business Taxes Issues section for additional information.

² The category of "Other" under "Location" includes cases that have no office of origin—for example, contacts from the public asking questions about how tax applies or requesting general information; or cases where the office was not disclosed.

Most Common Case Issues



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