



CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

TAX POLICY BUREAU

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Director

July 23, 2024

VIA INTERNET

The Compliance Policy and Procedures Manual (CPPM) is a guide for the California Department of Tax and Fee Administration (CDTFA) in administering tax and fee programs. It is available to the public and can be accessed from the CDTFA web page at <http://www.cdtfa.ca.gov/taxes-and-fees/staxmanuals.htm>.

The Business Tax and Fee Division is proposing to revise CPPM section 732.100, *Penalty and Interest – Successor's Liability*, to incorporate current policies and procedures.

The revision material is provided on the following pages for the convenience of interested parties who may wish to submit comments or suggestions. Please feel free to publish this information on your website or otherwise distribute it to your association/members.

If you have any comments or suggestions related to the proposed CPPM revisions, you may contact the CDTFA at CPPMRev@cdtfa.ca.gov. Your comments or suggestions must be received by the CDTFA no later than **August 23, 2024**, in order to be considered. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Aimee Olhiser".

Aimee Olhiser, Chief
Tax Policy Bureau
Business Tax and Fee Division

AO:rls

PENALTY AND INTEREST — SUCCESSOR'S LIABILITY**732.100**

The liability incurred by a successor with regard to the purchase of a business or stock of goods includes all amounts incurred by the predecessor, or any former owner, from the operation of the business, including amounts incurred from the sale of the business, even though such amounts may not be determined as of the date of purchase. All tax, interest, and penalties incurred by the predecessor, up to the amount of the purchase price, shall be billed to the successor. Although the successor liability billings are not directly subject to accrual of interest, successors are liable for all the predecessor's tax, penalty, and interest, including interest accrued **on the predecessor's liability**, after the issuance of the notice of successor liability. However, ~~negligence or fraud penalties assessed to the predecessor after the date of purchase will not be due from the successor pursuant to Regulation 1702(d)(2) unless there is a~~, **the successor shall be relieved of any penalty originally imposed upon the predecessor included in the notice of successor liability regardless of when the notice was issued where there is no relationship between the successor and the predecessor.** ~~Such penalties may be relieved under certain circumstances.~~ **A relationship exists between the successor and predecessor if there is any common ownership or if the successor was a responsible person as defined in Regulation 1702.5(b)(1) in the predecessor entity.** (See RTC section 6814 and Regulation 1702.)

Successors seeking relief from penalty under RTC section 6814(b)(2) should be directed to file an online request for relief from penalty on the CDTFA website. **Staff Team members** should encourage taxpayers without internet access to visit a field office or another location with internet access to complete the request. However, if these options are not available, ~~staff should provide a CDTFA-193a~~ **CDTFA-735, Request for Relief from Penalty, Collection Cost Recovery Fee, and/or Interest, should be provided.** This form should be ~~returned to the office that handles the taxpayer's account and not to headquarters~~ **emailed to the Petitions Section at BTFDPetSection for processing.** **Any information that may assist the Petitions Section in making a recommendation for relief should be indicated in a system note.**

~~Staff will update the system with a note to indicate that the taxpayer has either filed an online relief request, or filed a completed CDTFA-193. The system note will include the successor's reasons for making the request. If appropriate, the CDTFA-193 is then approved and signed by the Administrator or his/her designee. The person approving the form should likewise enter notes in the system and send the form to headquarters for processing, which includes further review of the request and adjustment of the penalty, if warranted. If the liability has not been petitioned, the CDTFA-193 should be sent to CSB. If the liability has been petitioned or a late protest has been submitted, the form should be sent to the Petition Section.~~