



## CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

TAX POLICY BUREAU

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Director

July 2, 2026

VIA INTERNET

The Audit Manual (AM) and Compliance Policy and Procedures Manual (CPPM) are guides for the California Department of Tax and Fee Administration (CDTFA) in administering tax and fee programs. They are available to the public and can be accessed on the CDTFA [Guidelines/Manuals – Sales & Use Tax, Special Taxes and Fees](#) web page.

The Processing, Policy, and Data Division is proposing to revise AM sections 302.30, 419.17, 438.00, 902.50, and 1208.35 and CPPM sections 215.100, 708.021, 722.020, and 776.110 to incorporate current policies and procedures.

The revision material is posted on the above-mentioned web page 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. You are welcome to submit written comments or suggestions related to the proposed revision(s) by August 3, 2026 to [PPDD-BTC.AMRevisionSuggestions@cdtfa.ca.gov](mailto:PPDD-BTC.AMRevisionSuggestions@cdtfa.ca.gov).

If you are not already signed up to receive email notifications regarding our proposed manual updates, please sign up now to ensure you receive future notifications. Go to the [Sign Up For CDTFA Email Lists](#) page, then select *Announcement of Proposed Manual Change*.

Sincerely,

A handwritten signature in blue ink that reads "Sandy Barrow".

Sandy Barrow, Chief  
Tax Policy Bureau  
Processing, Policy, and Data Division

**LARGE FILES (NO BACKUP)****0302.30**

The *Large Files (No Backup)* folder should contain information used in the audit that does not need to be transmitted with the **audit working papers (AWP)**, such as **a taxpayer's download of raw data**~~taxpayer-downloads~~, Computer Audit Specialist (CAS) files, etc. This ~~would~~ includes all files **that exceed 25 megabytes (MB) in size, which are** too large to attach in the system.

For large audits, auditors often perform an analysis of data with numerous line items. This process includes sorting the data and the multiple steps of refining the data such as removing certain transactions and vendors from the population. If auditors perform these steps in the Excel AWP file, **then** the file could get quite large due to the repeated instances of certain transactions in the file. Thus, to keep the file size within the 25 ~~megabyte~~**MB** limit, such analyses should be done in a separate Excel file and maintained in the **auditor's Large File**~~Large File (No Backup)~~ subfolder. The Excel working paper file should include the summary of the refined data and reference the steps taken to refine the data, possibly using a pivot table or some other method.

The ~~Large Files~~**auditor's Large File (No Backup)** subfolder ~~on the C drive~~ should contain information used in the audit that does not need to be included with the AWP, such as **the taxpayer's data**~~as discussed above~~. Information stored in this folder should not be uploaded or attached into the system. ~~Information stored in this folder cannot be attached in the system if it exceeds 25 megabytes in size.~~

**Large File Archive Folder in BOX**

**Under certain conditions, large files must be stored for later use, such as in the case of an appeal or when the Excel AWP file exceeds 25MB in size.**

**Auditors**

**If the auditor recommends large AWP and certain audit files over 25MB be archived in Box for future reference, they will document and make the request by following the procedures below:**

- 1. Create a subfolder in their *Large File (No Backup)* folder to save the large audit files recommended to be archived. The folder should be named as follows:**

**Year audit completed\_Audit ID\_Taxpayer's name,  
(for example, 2024\_A12345\_MyRestaurant)**

- 2. Add a CRM note (Audit Notes as Note Type) from the Audit springboard explaining that there are supporting audit files larger than 25MB recommended to be archived in Box. The note should include the name of the folder, list all of the files archived by their file name and provide a description of the content of each file.**

**Example 1:**

**An additional supporting audit file larger than 25MB is stored in the Large File Archive.**

**POS\_Download.xlsm.** The file contains the download of all sales transactions maintained in taxpayer's POS system for the entire audit period.

**Example 2:**

The final version of the Excel AWP is larger than 25MB and is stored in the Large File Archive: A11111\_ABC Supply\_WP.xlsm.

- 3. Field Operations Division (FOD) auditors will move the folder containing the large audit files to *Box\Large File Archive\FOD\FOD Large File Audit Review* folder. Business Tax and Fee Division (BTFD) auditors will move the folder containing the large audit files to *Box\Large File Archive\BTFD\BTFD Large File Audit Review* folder.**

In addition to the steps above, when the Excel AWP file exceeds 25MB, the auditor must update the CRM attachment's Description field in the system for the last attached version of the Excel AWP file to indicate "The final version of the Excel AWP is stored in Large File Archive." The auditor must also add a comment box on the first schedule (such as Schedule 12A) of the last attached version of the Excel AWP file in the system to indicate "This is not the final version of the AWP; the final version is stored in Large File Archive."

**Audit Reviewers**

As part of the audit review process, the audit reviewers will review the large audit files to determine whether they should be archived. Large audit files that are archived should not include irrelevant or unnecessary files, or files with duplicate data.

If the audit reviewers determine that it is necessary to archive the large audit files, they will move the folder with the large files to the pending archive folder.

- FOD audit reviewers will move the folder containing the large files to *Box\Large File Archive\FOD\FOD Pending Archive* folder.
- BTFD audit reviewers will move the folder containing the large files to *Box\Large File Archive\BTFD\BTFD Pending Archive* folder.

If the audit reviewer determines that it is not necessary to archive the large audit files, they will delete the folder with the large file and update the related CRM notes in the Audit springboard indicating that the files are not archived, along with the reason.

**Large File Archive Custodian**

For FOD, the large file archive custodian is the Assistant Deputy Director – Audit or their designee. For BTFD, the large file archive custodian is the Administrator of the Audit Examination Branch or their designee. The custodians or their designees will periodically review the large audit files and archive them if appropriate.

If the custodians or their designees approve the large audit files to be archived, they will archive the files. The folder with the large audit files will be archived under the appropriate year in *Box\Large File Archive*. If the custodians or their

**designees determine that it is not necessary to archive the large audit files, they will delete the folder with the large file. The custodians or their designees will also update the related CRM notes in the Audit springboard indicating that the files are not archived along with the reason.**

**The archived files will be subject to the record retention policy set forth in CMAP section 6600.5.**

## **BAD DEBTS INCURRED BY LENDERS ON PURCHASED ACCOUNTS RECEIVABLE**

0419.17

### **Senate Bill 167 Modifies Provisions on Lender Bad Debts**

**Senate Bill (SB) 167 (Stats. 2024, ch. 34), amended Revenue and Taxation Code (RTC) sections 6055 and 6203.5, to sunset the definition of a “retailer” as provided in those sections on January 1, 2025. As such, affiliated entities may no longer take a bad debt deduction or file a claim for refund for accounts found worthless and written off for income tax purposes on and after January 1, 2025.<sup>1</sup> Additionally, lenders may no longer take a bad debt deduction or file a claim for refund for accounts found worthless and written off for income tax purposes on and after January 1, 2025.<sup>2</sup>**

**Lenders and affiliated entities may continue to take a bad debt deduction and file claims for refund on returns filed for periods prior to January 1, 2025. Claims for refund may be filed for up to three years from the date the account was found worthless and written off for income tax purposes.<sup>3</sup> Current RTC sections 6055 and 6203.5 will be repealed on January 1, 2028, and new RTC sections 6055 and 6203.5 will become operative on January 1, 2028.<sup>4</sup>**

**The guidance provided within this manual will still apply to bad debt deductions claimed on returns and claims for refund filed for accounts written off before January 1, 2025.**

### **General**

A retailer may sell an account receivable (“account”) with or without recourse. For purposes of Regulation 1642, *Bad Debts*, “with recourse” means the retailer must reimburse the purchaser of the account (“lender”) for any losses the lender suffers. “Without recourse” means the retailer has no obligation to reimburse the lender even if the lender cannot recover the full amount of the debt.

A lender who purchases an account with recourse may not take a bad debt deduction ~~under the Sales and Use Tax Law~~ with respect to any loss it suffers on that account (i.e., uncollectible debt for which it fails to obtain reimbursement from the retailer).<sup>5</sup> However, a retailer who sells an account with recourse may take a bad debt deduction for the amount of uncollectible debt for which the retailer actually reimburses the lender pursuant to their contract, to the extent that such loss represents amounts on which the retailer reported and paid tax.

Regulation 1642 generally applies to bad debt losses incurred on accounts created as a result of retail sales of tangible personal property for which the retailer remitted California sales or use tax. Regulation 1642 subdivisions (h)(3) and (i) apply when the accounts at issue are held by an entity affiliated with the retailer, or by a lender.

Auditors reviewing a lender’s or ~~an~~ affiliated entity’s ~~claims~~ for deduction or refund for which the retailer remitted California sales or use tax should review Regulation 1642

<sup>1</sup> RTC sections 6055 (a)(2) and 6203.5 (a)(2)

<sup>2</sup> RTC sections 6055 (b)(1)(B) and 6203.5 (b)(1)(B)

<sup>3</sup> RTC section 6902; see also Annotation 130.0250 (5/17/77; 8/1/77), which provides that the statute of limitations on bad debts starts from the time in which the book entry is made, not the time in which the account was found to be worthless.

<sup>4</sup> See sections 10 and 12 of SB 167.

<sup>5</sup> Regulation 1642(i)

## Audit Manual Chapter 4, General Audit Procedures

subdivisions (h)(3) and (i). The subdivisions describe the conditions that must be met to claim a deduction or refund, the election agreement between the retailer and the lender, and election agreements between lenders and affiliated entities.

[...]

**QUALIFIED PURCHASER PROGRAM**

**0438.00**

**GENERAL**

**0438.01**

Revenue and Taxation Code (RTC) section 6225, ~~Use Tax Registration~~, requires a “~~Q~~qualified ~~P~~purchaser”<sup>1</sup> to register, ~~with the California Department of Tax and Fee Administration (CDTFA) and~~ report, and pay use tax directly to ~~the~~ CDTFA. ~~A qualified purchaser under RTC section 6225 is a person who meets all the following conditions~~**circumstances**:

- ~~The~~**Prior to January 1, 2024, the** person receives at least \$100,000 in gross receipts from business operations per calendar year.<sup>2</sup>
- **From January 1, 2024, through December 31, 2028, the person makes more than \$10,000 in purchases subject to use tax per calendar year if the use tax imposed on those purchases has not otherwise been paid to a retailer authorized to collect the tax.**<sup>3</sup>
- **From January 1, 2029, the person receives at least \$100,000 in gross receipts from business operations per calendar year.**<sup>4</sup>
- The person is not required to hold a ~~California~~ seller’s permit or certificate of registration for use tax **under RTC section 6226.**
- The person does not hold a use tax direct payment permit as described in RTC section 7051.3.
- The person is not otherwise registered with ~~the~~ CDTFA to report use tax.

**RTC section 6225 shall not apply to the purchase of a vehicle, vessel, or aircraft as defined in Article 1 (commencing with RTC section 6271) of Chapter 3.5.**<sup>5</sup>

Qualified purchasers are required to file annual use tax returns and **may file returns and** make payments using ~~the~~ CDTFA’s on-line filing system. Returns are due on or before April 15th for the preceding calendar year’s use tax purchases (if the due date falls on a Saturday, Sunday, or legal holiday, returns are due the following business day).<sup>6</sup>

<sup>1</sup> RTC section 6225(c) and Regulation 1699(k)

<sup>2</sup> RTC section 6225(c)(4), as added by Stats. 2009, ch. 16, sec. 1, effective October 23, 2009, through December 31, 2023

<sup>3</sup> RTC section 6225(c)(4) and (d), as amended by Stats. 2023, ch. 355, sec. 1, operative from January 1, 2024, through December 31, 2028

<sup>4</sup> RTC section 6225(c)(4), as added by Stats. 2023, ch. 355, sec. 2, effective January 1, 2024, operative January 1, 2029

<sup>5</sup> RTC section 6225(d), Regulation 1699(k)

<sup>6</sup> RTC section 6225(b), GC section 6707

**CALIFORNIA REDEMPTION VALUE (CRV)****0902.50**

The California Beverage Container Recycling and Litter Reduction Act<sup>1</sup> places a California Redemption Value (CRV) fee on the beverage distributor for beverage containers sold or offered for sale in this state by the distributor.<sup>2</sup> The distributor passes the cost of the CRV fee to the retailer, who passes the cost on to the purchaser of the beverage in the container. Therefore, the CRV fee is an expense of the retailer and a part of the "gross receipts" collected from its customer.<sup>3</sup> Also, Regulation 1589(a) specifically excludes redemption or recycling values of beverage containers pursuant to the California Beverage Container Recycling and Litter Reduction Act from the definition of the term "deposit." ~~As such, CRV fees are included in the gross receipts of the seller of the container. Beginning January 1, 2000, the list of beverages subject to CRV was expanded to include nontaxable beverages such as noncarbonated fruit drinks and bottled water. Therefore, if the sale of a beverage in a container is taxable, the CRV fee charged to the customer is also taxable. If the sale of a beverage in a container is considered a nontaxable food product, the CRV fee charged to the customer is also nontaxable. charges related to that product are also nontaxable. Tax still applies to CRV charges related to taxable beverages.~~

The CRV law requires retailers with a sales and storage area totaling more than 4,000 square feet to separately state the CRV amount in advertising and on the shelf-pricing, and retailers are permitted (but not required) to add the amount as a separate amount at the cash register.<sup>4</sup>

"Beverage container" means the individual, separate bottle, can, jar, carton, or other receptacle, however denominated, in which a beverage is sold, and which is constructed of metal, glass, or plastic, or other material, or any combination of these materials. "Beverage container" does not include cups or other similar open or loosely sealed receptacles.<sup>5</sup>

Per PRC section 14504, "beverage" means the following products if those products are in liquid, ready-to-drink form, and are intended for human consumption:

- Beer and other malt beverages.
- Wine and distilled spirit coolers. (Prior to January 1, 2024, wine and spirit coolers of greater than 7% alcohol were excluded.)
- Carbonated and noncarbonated water, including soda and mineral water.
- Carbonated and noncarbonated soft drinks and "sport" drinks.
- Carbonated and noncarbonated fruit drinks that contain any percentage of fruit juice. (Prior to January 1, 2024, 100 percent fruit juice in containers that were 46 ounces or more were excluded.)
- Coffee and tea drinks.
- Vegetable Juice. (Prior to January 1, 2024, vegetable juice in containers greater than 16 ounces were excluded.)

<sup>1</sup> Public Resources Code (PRC) sections 14500-14599

<sup>2</sup> PRC section 14560

<sup>3</sup> Annotation 195.0245

<sup>4</sup> PRC section 14560.5

<sup>5</sup> PRC section 14505

- **Distilled spirits.**
- **Wine, or wine from which alcohol has been removed, in whole or in part, whether or not sparkling or carbonated.**
- **Wine or distilled spirits contained in a beverage container that is a box, bladder, or pouch, or similar container, regardless of the material type from which the beverage container is made.**

**Beverage does not include milk, medical food, and infant formula.<sup>1</sup>**

**For more information about the CRV fee, visit  
<https://calrecycle.ca.gov/bevContainer/>.**

~~All retailers with sales and storage areas totaling more than 4,000 square feet are required to separately state the redemption value in all advertising and on the shelf. The fact that these fees are separately stated (both to the retailer and to their customers) should not affect the method of computing the markup in an audit. The CRV amounts are a cost to the retailer and are a part of the taxable gross receipts.~~

Auditors should ensure CRV ~~fees~~**amounts** are properly accounted for when using markup methods to establish sales.

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<sup>1</sup> PRC section 14504(b)

**ON-PREMISE ELECTRIC SIGNS****1208.35**

~~Operative October 1, 2000~~ **Regulation 1521**, subdivision ~~1521~~(c)(12)(**B**), allows contractors who furnish and install on-premise electric signs, to report tax on 33% of the ~~total~~ contract price of a job. ~~Total~~ **if the contract does not state the sale price of the sign. The term “contract price”** includes all charges for materials, fabrication labor, installation labor, overhead, profit, and any other charges associated with the sale and installation of the sign. ~~Auditors should review contracts to determine if the contractor has reported tax on 33% of the total contract price, as defined. Auditors should also perform an accountability test to ensure that this reporting method has adequately accounted for all materials used in the production of on-premise electric signs~~ **Regulation 1521, subdivision (c)(12)(A), defines an on-premise electric sign as any electrically powered or illuminated structure, housing, sign, device, figure, statuary, painting, display, message, placard, or other contrivance or any part thereof affixed to real property and intended or used to advertise, or to provide data or information in the nature of advertising, to designate, identify, or indicate the name or business of the owner or occupant of the premises upon which the advertising display is located, or to advertise the business conducted, services available or rendered, or the goods produced, sold, or available for sale, upon the property where the advertising display has been erected.**

**Auditors should review the contracts and any change orders to verify the contract price to furnish and install the on-premise electric sign. The auditor may use other records such as progress billings, sales invoices, or separate invoices for installation, to support the contract price of the job, and to verify whether the contractor has reported tax on 33% of the contract price. If the contractor performs any other construction contracts to furnish and install materials and/or fixtures other than on-premise electric signs, such as contracts to repair on-premise electric signs, contracts to furnish and install non-electric signs, or contracts to furnish and install electric signs which do not qualify as on-premise electric signs, such as purely artistic or navigational/directional electric signs, auditors may be required to prepare a cost accountability test to account for all materials purchased and used in the performance of their construction contracts, including those used in the production of on-premise electric signs, in accordance with Audit Manual Chapter 12.**

**The cost accountability test is not required if the auditor verifies that during the period being audited, the contractors inventory of purchases (materials and fixtures) were used exclusively in the performance of contracts to furnish and install on-premise electric signs, no co-mingling of purchasing inventory with other accounts or businesses is noted, and all of the contractors transactions are to furnish and install on-premise electric signs in accordance with Regulation 1521, subdivision (c)(12).**

**QUALIFIED PURCHASER (QP) --USE TAX**

**215.100**

Revenue and Taxation Code (RTC) section 6225 requires a “qualified purchaser”<sup>1</sup> (QP) to register, report, and pay use tax directly to ~~the~~ CDTFA under the following ~~circumstances~~**criteria**:

- ~~1.~~ **Prior to January 1, 2024, the** person receives at least \$100,000 in gross receipts from business operations per calendar year.<sup>2</sup>
- From January 1, 2024, through December 31, 2028, the person makes more than \$10,000 in purchases subject to use tax per calendar year if the use tax imposed on those purchases has not otherwise been paid to a retailer authorized to collect the tax.**<sup>3</sup>
- From January 1, 2029, the person receives at least \$100,000 in gross receipts from business operations per calendar year.**<sup>4</sup>
- ~~2.~~ The person is not required to hold a seller’s permit or certificate of registration for use tax under RTC section 6226.
- ~~3.~~ The person is not a holder of a use tax direct payment permit as described in RTC section 7051.3.
- ~~4.~~ The person is not otherwise registered with ~~the~~ CDTFA to report use tax.

**RTC section 6225 shall not apply to the purchase of a vehicle, vessel, or aircraft as defined in Article 1 (commencing with RTC section 6271) of Chapter 3.5.**<sup>5</sup>

Qualified purchasers are required to file annual use tax returns ~~with a due date and may file returns and make payments using CDTFA’s online filing system. Returns are due on or before~~ April 15th ~~of~~ for the preceding calendar year’s use tax purchases (if the due date falls on a Saturday, Sunday, or legal holiday, returns are due the following ~~year~~**business day**).<sup>6</sup>

~~Online registration does~~ **Accounts are** not automatically ~~identify~~**identified as** QP accounts **by the system**. When ~~staff a team member~~ becomes aware that a taxpayer has voluntarily registered because they meet the registration requirements of a QP, ~~staff they~~ should ~~add ACC 34 and Lead Source ABX to~~ **ensure** the account **is on an annual filing return basis with a due date of April 15**.

When ~~staff a team member~~ receives inquiries regarding registration, taxpayers should be directed to register online via ~~the CDTFA~~**CDTFA’s** website.

~~Staff~~**Team members** may close **QP** accounts ~~with an ACC 34 if their gross receipts drop below the \$100,000 threshold for two consecutive years~~ **taxpayers no longer meet the registration and reporting requirements outlined above**. After closing ~~the a~~ **QP** account, ~~taxpayers~~**team members** should ~~be advised~~ **advise taxpayers** to report future

<sup>1</sup> RTC section 6225(c) and Regulation 1699(k)

<sup>2</sup> RTC section 6225(c)(4), as added by Stats. 2009, ch. 16, sec. 1, effective October 23, 2009, through December 31, 2023

<sup>3</sup> RTC section 6225(c)(4) and (d), as amended by Stats. 2023, ch. 355, sec. 1, operative from January 1, 2024, through December 31, 2028

<sup>4</sup> RTC section 6225(c)(4), as added by Stats. 2023, ch. 355, sec. 2, effective January 1, 2024, operative January 1, 2029

<sup>5</sup> RTC section 6225(d), Regulation 1699(k)

<sup>6</sup> RTC section 6225(b), GC section 6707

## CPPM Chapter 2, Registration

use tax purchases on their business or personal income tax return. If **taxpayers meet** the ~~taxpayer meets the threshold~~ **registration and reporting** requirements in a future year, they must re-register. ~~if they make purchases subject to use tax. Otherwise, staff~~ **Otherwise, team members** should ~~not~~ **never** close out the account unless the QP's business operations have ceased, there is a change in ownership, or the QP has obtained a seller's permit. After three consecutive years of filing returns showing zero use tax due, the account will be automatically closed.

~~Staff~~ **Team members** should work delinquent QP accounts in ~~the same manner they would work any other delinquent account; that is, in~~ accordance with existing compliance policy and procedures.

~~When a QP purchases items from outside California subject to a special tax and/or fee (for example televisions, computers, tires, cigarettes, etc.), the supervisor or designee should send an email notification to the "BTFD QP Referrals" mailbox. The Special Taxes staff will investigate the notification and refer such leads to the appropriate section for further investigation.~~

**DELINQUENCY CYCLE TIMELINES**

**708.021**

[...]

12. If the taxpayer is selling at a swap meet location, contact the swap meet operator to confirm the taxpayer is actively selling there. If so, inform the swap meet operator that the taxpayer must contact the CDTFA or the permit may be closed, and sales cannot be made without a valid permit. Do not inform the swap meet operator of the delinquencies.

**Cigarette and Tobacco Products License**

**When a Cigarette Distributor, Cigarette Wholesaler, Tobacco Products Distributor, or Sales and Use Tax account associated with a Cigarette and Tobacco Products License (CTPL) is revoked, CDTFA may revoke the CTPL after exhausting all collection action.<sup>1</sup> To request the revocation of the CTPL, the collector will submit a referral to the Registration and Licensing Section (RLS) by creating a *Request Account Maintenance* work item in the system on the Account springboard. RLS will then create an Internal Citation case to initiate the revocation of the CTPL.**

**Cannabis and Alcoholic Beverage Tax**

[...]

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<sup>1</sup> BPC section 22978.6

**THE COLLECTION INTERVIEW****722.020**

All assignments will be performed in a professional manner. It is the CDTFA's policy to administer its laws and policies fairly and efficiently, with the expectation that employees will conduct themselves with dignity, integrity and courtesy. (See publication 336, *Ethics: Guidelines for Professional Conduct*.) In addition, discretion must be exercised to avoid disclosing confidential information to unauthorized parties. (See publication 353, *Information Security Requirements for Employees with Access to Confidential Information*.)

To a considerable degree, collection productivity will depend on the manner in which the collection interview is conducted and by the impression the collector makes on the taxpayer. Whether the interview is conducted over the phone, in a CDTFA office, or elsewhere, the interview will be conducted with courtesy and professionalism; but at the same time, the collector should be firm and direct.

The collector should stress the advantages of making immediate payment in full. This includes advising the taxpayer of the applicable penalties, interest, and Collection Cost Recovery Fee (CRF) that may be added to the liability if payment in full is not made (see CPPM section 525.000 – 535.095 for further information on **relief of penalties and**, interest, and CRF). The system shows the date on which the CRF is expected to be assessed. Providing this information to taxpayers may encourage them to remit payment in full sooner to avoid the CRF. In instances where this is not possible, the taxpayer may request to enter into a payment plan to avoid the CRF.

The most successful collection case, aside from a paid-in-full account, is one where the ~~tax/fee payer~~**taxpayer** fully understands the consequences of failing to pay the liability promptly. If the taxpayer perceives that the collector is inexperienced or uncertain, or if the collector does not convey a sense of urgency to resolve the situation, the taxpayer may attempt to postpone payment of the liability through excuses or insincere promises. Therefore, the impression the collector should strive to create is one where the taxpayer understands that the interviewer is a trained professional who:

1. Is knowledgeable about the situation,
2. Is able to apply pertinent laws and regulations to the situation,
3. Will treat the taxpayer fairly, and
4. Will follow through, if necessary, with actions to compel payment.

The collector must always be prepared to answer taxpayer questions about collection procedures, taxpayer rights, and appeal rights. Publication 54, *Tax Collection Procedures*, publication 70, *Understanding Your Rights as a California Taxpayer*, and publication 17, *Appeals Procedures – Sales and Use Taxes and Special Taxes*, contain excellent information covering these areas. The collector should also be prepared to discuss with taxpayers the publications available and how to obtain them. A statement directing the taxpayer to the CDTFA website to read publication 54 for information about CDTFA's collection procedures is on all billing notices. Publication 54 also briefly describes the taxpayer's rights and appeal rights and references publications 70 and 17. Publication 54A, *Behind on Your Payment? What You Need to Know*, is a brochure that summarizes the information detailed in publication 54.

### **Taxpayers Questioning Liabilities**

The CDTFA's primary ~~ethical~~ responsibility to taxpayers is to ensure that they pay no more and no less than the law requires. When a taxpayer questions the accuracy of a CDTFA-assessed liability, all **staffteam members** should be fully prepared to discuss with the taxpayer their rights and options. If differences between the taxpayer and ~~staff~~ **team member** cannot be resolved, the matter should be referred to a supervisor. If, after supervisor review, the taxpayer asks for review by the TRA Office, the case should be referred accordingly. See CPPM section 156.010 for guidance on when it is appropriate to refer a case to the TRA Office.

### **Bilingual and Hearing Impaired Interpreters Available**

The CDTFA values **consistency**, fairness, and objectivity in ~~our treatment of all taxpayers and consistent in~~ our administration of the law, **and CDTFA is committed to providing excellent service to all taxpayers** while treating every individual with respect and courtesy. To facilitate the CDTFA's commitment to provide excellent service ~~to all taxpayers, the Equal Employment Opportunity (EEO~~ **the Diversity and Inclusion (D and I)** Office maintains lists of bilingual ~~employees~~ **team members** available to assist taxpayers who have limited English proficiency. The ~~EEO~~ **D and I** Office also makes arrangements ~~to contract~~ for interpreter services when there are no bilingual ~~staff~~ **team members** available for a particular language. When a taxpayer needs American Sign Language (ASL) or bilingual assistance, **staffteam members** should contact the ~~EEO~~ **D and I** Office at ~~(916) 322-7639~~ **1-916-309-8400** or ~~EEO@cdtfa.ca.gov.~~ **[EqualEmployment.Opportunity@cdtfa.ca.gov](mailto:EqualEmployment.Opportunity@cdtfa.ca.gov)**.

**DISCHARGE FROM ACCOUNTABILITY**

**776.000**

**SMALL BALANCE**

**776.110**

Small balances often do not justify further collection effort **and the State Controller's Office (SCO) may discharge CDTFA from accountability for the collection of a balance if the amount of the debt does not justify the cost of its collection.**<sup>1</sup> A compliance supervisor will approve ~~these types of cases with~~ **requests for the SCO's approval to discharge or "write-off"** balances up to ~~\$10,000~~~~500.00~~ after a reasonable effort has been made to collect the ~~liability~~**liabilities**. To avoid costly collection efforts out of proportion to the amount to be realized, **requests for the SCO's approval to write off** balances of \$500.01 through ~~\$10,000~~~~5,000.00~~ can be submitted to CSB with a ~~minimum~~**short** explanation of previous ~~section 776.180—CPPM~~ collection efforts ~~required from~~**by** the responsible office. (See CPPM section 776.180 for automatic write-off of balances of ~~\$10.01 through~~ ~~\$500.00~~ **or less**.)

A reasonable effort is defined as collection effort(s) where the cost is commensurate with the amount to be realized. For example, conducting several field calls to collect **a balance**~~an item~~ of less than ~~\$10,000~~~~5,000~~ goes beyond a reasonable effort.

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<sup>1</sup> GC section 12433