



CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

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April 29, 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 section 0103.15 and CPPM sections 150.050, 740.290, and 755.010-755.020 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 May 29, 2026, to PPDD-BTC.CPPMRevisionSuggestions@cdtfa.ca.gov.

To subscribe to receive email notification of future manual updates, go to [Sign Up For CDTFA Email Lists](#) and 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

DIGITAL SIGNATURES

CPPM 150.050 / AM 0103.15

This section clarifies CDTFA's policy for accepting digital signatures on documents received by CDTFA team members and using digital signatures on documents signed by CDTFA team members. The California Government Code (GC) allows CDTFA to accept and use digital signatures provided they meet certain requirements.¹ If the requirements below are met, CDTFA team members may accept digital signatures on documents including but not limited to, the following: waivers of limitation, claims for refund, and powers of attorney. In addition, if the requirements below are met, CDTFA team members may send a digital signature on documents including but not limited to documents used in tax clearance requests.

California Government Code Requirements

A "digital signature" is an electronic identifier, created by computer, intended by the party using it to have the same force and effect as the use of a manual signature. A digital signature has the same force and effect as a manual signature if it has the following attributes:²

1. It is unique to the person using it.
2. It is capable of verification.
3. It is under the sole control of the person using it.
4. It is linked to data in such a manner that if the data changed, the digital signature is invalidated.
5. It conforms to regulations adopted by the Secretary of State (SOS).

The SOS regulations³ explain that for a digital signature to be valid for use by a public entity, it must be created by an acceptable technology that is acceptable for use in California.⁴ The regulations list the acceptable technologies, which include Public Key Cryptography and "Signature Dynamics."⁵ CDTFA is currently using *Adobe Sign* software, a cloud-based electronic signature service, that allows team members to send, sign, track, and manage electronic signatures. This software complies with requirements outlined in the SOS regulations.

An "electronic signature" is an electronic sound, symbol, or process attached to or logically associated with an electronic record and executed or adopted by a person with the intent to sign the electronic record, and "digital signatures" are a type of "electronic signature."⁶ Adobe Fill and Sign (which is free with Adobe Reader) in Acrobat can be used to insert an electronic signature. Adobe Sign (which is purchased from Adobe), on the other hand, can be used to insert a more secure electronic signature that is generated using a digital certificate and

¹ GC section [16.5](#)

² GC section [16.5\(a\)](#)

³ Regulations [22000-22005](#)

⁴ Regulation [22001](#)

⁵ Regulation [22003 \(a\) and \(b\)](#)

⁶ CIV section [1633.2 \(h\)](#)

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cryptographically bound to the document using public key infrastructure (PKI). Adobe Fill and Sign's electronic signature does not meet the SOS requirements for a "digital signature," while Adobe Sign's electronic signature does meet those requirements.

However, Adobe Fill and Sign's electronic signatures are acceptable for use on documents that are only used within the Department or between the Department and other state agencies. If CDTFA team members elect to accept a digital signature from any party outside the Department or other state agencies, such as taxpayers or their representatives, a digital signature compliant with the SOS regulations, such as an Adobe Sign secure electronic signature, must be used.

Accepting Digital Signatures

Team members should verify that the person signing a document with a digital signature is authorized to sign that document before accepting it.

For example:

A team member uses Adobe Sign to send a taxpayer form CDTFA-82, *Authorization for Electronic Transmission of Data*. The taxpayer signs the document using Adobe Sign. The file, once digitally signed by the taxpayer, cannot be changed. The team member verifies the signer is authorized to sign the form and the email address is valid and documents this verification in CRM Notes on the appropriate springboard. Once verified and documented, the team member may accept the form with a valid digital signature.

Sending Digital Signatures

CDTFA provides Adobe Sign to team members that need to sign documents with digital signatures. Adobe Sign must be used when team members electronically sign documents that will be sent to parties outside of CDTFA or other state agencies, for example, when a document will be sent to taxpayers or their representatives. Each record of an Adobe Sign signature has an associated Audit Report maintained by Adobe Sign. The Audit Report for each record or document signed should be downloaded from Adobe Sign and attached to the case or account in the system once it is completed.

For example:

A team member uses Adobe Sign to digitally sign form CDTFA-471, *Certificate of Payment*, and sends the document to the recipient. The digital signature can be verified, and the document, once signed, cannot be changed. To document the recipient has received the document, the Audit Report from Adobe Sign is attached to the Tax and Fee Clearance Request case in the system once the agreement has been completed.

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0103.15

This section clarifies the policy for accepting digital signatures on documents received by CDTFPA team members. The California Government Code allows the use of digital signatures provided they meet certain requirements. If the requirements below are met, CDTFPA team members may accept digital signatures on documents, including but not limited to: waivers of limitation, claims for refund, and powers of attorney.

California Government Code Requirements

A “digital signature” is an electronic identifier, created by computer, intended by the party using it to have the same force and effect as the use of a manual signature. California Government Code section 16.5 explains that a digital signature has the same force and effect as a manual signature if it has the following attributes:

1. It is unique to the person using it.
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5. It conforms to regulations adopted by the Secretary of State (SOS).

The SOS regulations explain that for a digital signature to be valid, it must be created by an acceptable technology that ties the message to the signer. The regulations list the acceptable technologies, which currently include Public Key Cryptography and “Signature Dynamics.” (See California Code of Regulations, Title 2, Sections 22000-22005.) CDTFPA is currently using *Adobe Sign* software, a cloud based electronic signature service that allows team members to send, sign, track, and manage electronic signatures. This software complies with requirements outlined in the SOS regulations.

Accepting Digital Signatures

Team members should be aware of who is authorized to sign a document.

For example:

A team member uses *Adobe Sign* to send a taxpayer form CDTFPA 82, *Authorization for Electronic Transmission of Data*. The taxpayer signs the document using *Adobe Sign*. The file, once digitally signed by the taxpayer, cannot be changed. The team member verifies the signer is authorized to sign the form and the email address is valid and documents this verification in CRM Notes on the appropriate springboard. Once verified and documented, the team member may accept the form with a valid digital signature.

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DIGITAL SIGNATURES

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An electronic signature is a broad term for any electronic process that indicates acceptance of an agreement or a record. Adobe Fill and Sign (which is free with Adobe Reader) in Acrobat can be used to insert a signature electronically for **non-legally binding** options. **Adobe Sign** (which is purchased from Adobe), on the other hand, is a more secure electronic signature that is generated using a digital certificate and cryptographically bound to the document using public key infrastructure (PKI). The free version of Adobe’s electronic signature **does not** meet the SOS requirements, while Adobe Sign **does** meet those requirements.

The “free” version in Adobe Reader is acceptable for electronic signatures within the Department or between the Department and other State agencies. Adobe Sign must be used for any electronic signatures required from any parties outside of the State, for example, taxpayers or their representatives.

Accepting Digital Signatures

Team members should be aware of who is authorized to sign a document.

For example:

A team member uses Adobe Sign to send a taxpayer form CDTFPA 82,

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~~*Authorization for Electronic Transmission of Data.* The taxpayer signs the document using Adobe Sign. The file, once digitally signed by the taxpayer, cannot be changed. The team member verifies the signer is authorized to sign the form and the email address is valid and documents this verification in CRM Notes on the appropriate springboard. Once verified and documented, the team member may accept the form with a valid digital signature.~~

COURT ORDERED RESTITUTION

740.290

GENERAL

Restitution is **payment to the victim of a crime who incurs an economic loss as a result of the commission of a crime, provided directly from a defendant convicted of that crime.** ~~defined as the act of making whole or giving the equivalent for any loss, damage, or injury.~~¹ The purpose of restitution is **in part** to help victims recover from any financial hardship caused by a criminal activity.

A **restitution order** is a court order directed to ~~the taxpayer~~ **a defendant** requiring the **monetary** payment of restitution ~~(monetary payment)~~, generally as a condition of probation or parole in a criminal case. The court issues a restitution order to cover the economic loss or actual crime-related expenses incurred by a victim ~~as a result~~ of a crime.²

Under state law, offenders convicted of a felony or misdemeanor in California may be required to pay a fine, **and** penalty, ~~and the cost of investigation~~, in addition to an amount for restitution. **In limited circumstances, offenders may also be required to pay the cost of investigations.** If the defendant is on formal probation, payments may be made to the county where the crime/offense occurred. If the payment is directed to the county, the designated county is responsible for dividing the total funds received and forwarding **the correct portion to CDTFA.** ~~the CDTFA's portion to the appropriate CDTFA office.~~

The ~~stipulated~~ **court's** final judgment documents may specify how the restitution payments are allocated between taxes, fines, penalties, and cost of investigations. When the ~~stipulated~~ final judgment documents do not provide specific information regarding the allocation of payments, the **Criminal Investigations Bureau Section (CIS)** must review the criminal complaint and determine the amounts and periods to designate as restitution and whether any portion of the restitution is already billed. When any of the seized funds are provided to CDTFA, **CIS Investigations** will determine how to apply any monies received toward the restitution periods.

Restitution payments ordered by the court on behalf of ~~the~~ CDTFA may be for less than the full amount of the civil liability (e.g., audit billing) owed by the taxpayer to ~~the~~ CDTFA. In this situation, the taxpayer remains liable for the full amount of the civil liability.

~~The passage of Assembly Bill 242, filed with the Secretary of State on October 9, 2011, and made effective on January 1, 2012, allows the CDTFA to collect on restitution orders in the same manner as other collections.~~ Collections Support Bureau (CSB) will monitor accounts in the system that have active court-ordered restitution and are currently on probation, parole, or diversion. **All related accounts associated with the defendant will be worked in conjunction with the COR balance by CSB.**

The collection of restitution by the court is a continuation of a criminal court action and ~~therefore excepted (excluded)~~ **is excluded** from the automatic stay provisions of the bankruptcy code ~~(11 USC 362(b)(1)).~~³ However, if the court relies on ~~the~~ CDTFA to collect the restitution due, the automatic stay does apply, and ~~the~~ CDTFA cannot collect until

¹ **PEN section 1202.4 (a)(1)**

² **PEN section 1202.4**

³ **11 USC section 362 (b)(1)**

the bankruptcy case is dismissed, or ~~the~~ CDTFA obtains leave from the court to collect while the stay is in place.

Payments required by a restitution order may continue to be due, even after a taxpayer's probation has ended.

~~Investigations' Responsibilities:~~ Criminal Investigations Section

Criminal Investigations Section (CIS) acts as a liaison between CDTFA and the courts, coordinating the court-ordered restitution (COR) case. ~~Document the information from the court-ordered restitution in ACMS for sales and use tax accounts and IRIS for special taxes and fees accounts.~~

~~Obtain and forward the restitution orders or information from the court to CSB for monitoring while the taxpayer is on probation, parole, or diversion.~~ **The COR coordinator will create a COR case in the system and assign it to CSB for monitoring. The COR case should contain the following:**

- **Restitution summary.**
- **A copy of CIS's executive summary.**
- **Detailed notes regarding the liability period(s) and payment plan (if applicable).**
- **All court documents detailing the sentencing, restitution, plea agreement, and requirements during the probation period.**

The COR coordinator will also work with the investigator and the CIS supervisor to assist CSB with bringing a defendant into compliance when CSB requests assistance. Case updates will be provided by the COR coordinator when entering notes in the COR case.

~~A copy of the restitution order will be attached to a formal memorandum to CSB with the following information:~~

- ~~• Investigations' restitution summary form.~~
- ~~• Copies of Investigations' executive summary (when applicable) and all court documents detailing the sentencing, restitution, terms, and requirements during the probation period.~~

CIS also has the following COR responsibilities:

- **Attend court hearings.**
- **Contact probation office when COR is in default to request an increase, revocation, or other modification.**
- **Request extension of probation.**
- **Seek arrest when a defendant does not appear for a court hearing and a bench warrant is issued.**

~~File a court motion to:~~

- ~~• Modify restitution orders that are in default,~~
- ~~• Request an extension of probation,~~
- ~~• Request an increase in court-ordered restitution payments~~

~~Attend court hearings as referred by the field office on restitution cases.~~

~~Prepare a memo to FOD or BTFD when collection of the restitution order is paid in full, or the taxpayer's probation or parole has ended and the restitution has not been fully~~

~~satisfied. The memo should include the most recent contact information available, and any additional notes or materials gathered by CSB while they were monitoring the case.~~

~~Provide quarterly reports to the Deputy Director, FOD and BTFD of those restitution cases that are being monitored by Investigations or CSB.~~

~~In the case of a Revenue and Taxation Code (RTC) section 6071 misdemeanor citation (operating with a revoked permit) where the taxpayer does not appear for a court hearing, a bench warrant is typically issued. If a bench warrant is issued, Investigations should attempt to have the taxpayer arrested or brought before the local District Attorney's office.~~

CSB, Liens and Specialized Collections Section's Responsibilities:

The CSB, Liens and Specialized Collections Section is responsible for monitoring ~~Monitor~~ all active **COR cases** ~~court-ordered restitution~~ and fines for ~~FOD and BTFD~~ **CDTFA** during the period the taxpayer is on probation, parole, or diversion. CSB will also monitor individual partners and corporate officers that were ordered to pay restitution on behalf of the partnership or corporation while the individual is on probation, parole, or diversion. CSB ~~will perform~~ **performs** the following duties:

- ~~Coordinate with FOD or BTFD to establish an account number for court-ordered restitution and create a restitution period.~~
- Creates all billings for restitution.**
- Creates and assigns collection cases to CSB team members for monitoring and collection actions as necessary.**
- Ensures restitution payments are applied appropriately.
- ~~Create the unbilled cost of collection assessment for sales and use tax accounts on IRIS to track and monitor restitution payments. (Return Processing Branch personnel will create unbilled differences for special taxes and fees accounts.) Cancel the unbilled cost of collection as soon as the restitution amount is billed.~~ Makes the necessary payment adjustments for restitution payments **during** the probation, parole, or diversion period.
- Provides quarterly summary of COR cases to management.**
- ~~Prepare a memorandum to Investigations indicating whether restitution was or was not satisfied when the taxpayer's probation, parole, or diversion ended.~~ Provides **Investigations CIS** quarterly ~~reports~~ **updates** on active **COR** ~~restitution~~ cases.
- Assigns work item to COR coordinator when defendant is non-compliant and documents in the system all attempts to bring defendant into compliance.**

CSB team members will monitor all related accounts associated with the defendant in conjunction with the COR balance. CSB will discontinue monitoring the collection case and performing collection-action (when applicable) and assign to the responsible area for any of the following reasons:

- The restitution order was paid in full, and the taxpayer has a remaining outstanding balance,**
- The taxpayer's probation or parole has ended, and the restitution has not been satisfied, or**
- The taxpayer's probation or parole has ended, and the defendant becomes non-compliant with CDTFA processes (e.g., not filing and**

paying returns timely, not staying current with a payment plan, etc.).

The collection case will be assigned to the Compliance Business Taxes Administrator II (BTAII) of the responsible area for continued monitoring and collections as needed. CSB team members will add a final note advising the collector the status of the COR case as not satisfied, the outstanding COR balance, and how future payments should be applied. CSB team members will also assign a work item in the system to the COR coordinator notifying them that probation, parole, or diversion has ended and provide the status of restitution.

Document in ACMS/IRIS:

- ~~• Receipt of the restitution order from Investigations and the terms of the restitution.~~
- ~~• Receipt and adjustment of restitution payments.~~
- ~~• Whether restitution is or is not satisfied when the probation period ended.~~
- ~~• Actions taken if restitution payments are not made.~~
- ~~• Contacts made with the assigned probation or parole officer, County's Revenue Department, Investigations, FOD, or BTFD.~~

CSB, Specialized Audit Section's Responsibilities:

~~Initiate RTC section 6829 dual determinations for sales and use tax liabilities in cases where a responsible person was ordered to pay restitution on behalf of a business that was terminated. The request to issue an RTC section 6829 dual determination will be forwarded by CSB to the Audit Determination and Refund Section for processing.~~

~~Coordinate with the impacted program area to create arbitrary accounts for corporate officers or other persons who are ordered to pay restitution by the court when an RTC section 6829 dual determination cannot be established.~~

~~Coordinate with the impacted program area to create arbitrary accounts for individual partners affected by the Revised Uniform Partnership Act where the court ordered the individual to pay restitution.~~

Cashier Unit Section's Responsibilities:

The Cashier Unit is responsible for receiving and processing ~~Receive the~~ payments and ~~identifying~~ documentation directly from the taxpayer or county. **If there are questions about the allocation or application of a payment, cashiers should contact CSB, Liens and Specialized Collection Section for assistance. Any supporting documentation, along with a copy of the payment, including the check stub must be saved on the Payment springboard, and physical copies forwarded to CSB. Failure to include the check stub may result in an inability to properly allocate payments when a county sends a single check consolidating payments from multiple defendants. The check will be processed and the amount keyed into IRIS.**

~~Any supporting documentation along with a copy of the payment will be forwarded to CSB, Liens and Specialized Collection Section, to determine the proper payment application.~~

Special Taxes and Fees Account Billings

CPPM Chapter 7, Collections

~~Upon completion of the prosecution an account is created. The Return Processing Branch (RPB) will receive the referral memo from Investigations. RPB will review the court case provided by Investigations and request an account to be created (if needed) by the Registration Section. RPB also determines the amount to be billed including any penalties or interest and establishes a billing on the account pursuant to RTC sections 30483 or 60709. Since the restitution is considered “final” by court decree, the billing created in IRIS is considered ‘final’ and collectable when the restitution is established on CDTFA records.~~

~~The court ordered restitution is applicable to Taxable Activity Types (TATs) CR, CP, LR(Q), LD(Q), and LW(Q). RPB will establish the bill using the following information;~~

- ~~• Difference type _____ EAB (external agency billings)~~
- ~~• Difference activity type _____ COR (court ordered restitution)~~
- ~~• Notice type _____ DER (demand court ordered restitution)~~
- ~~• FO type _____ OTB (one time billing)~~

~~A statement will then be sent to the taxpayer at their listed address by first class U.S. Mail. Once the billing is established in IRIS, it will migrate to ACMS and be routed to the collector as directed by ACMS routing rules.~~

Collections:

~~RTC sections 7157 (sales and use tax), 8407 (motor vehicle fuel taxes), 30483 (cigarette and tobacco products taxes), and 60709 (diesel fuel taxes) allow restitution orders, or any other amounts imposed by a court of competent jurisdiction, for criminal offenses upon a person or any other entity. These amounts are due and payable to the CDTFA and may be collected by the CDTFA in any manner provided by law for the collection of a delinquent tax liability.~~

The following points apply to **the collection of COR** restitutions and **other** amounts **imposed by court order** due before, on, or after January 1, 2012:¹

- They are treated as final and due **and payable.**;
- Refund or credit is not allowed.;
- Interest may accrue on amounts due.;
- They are not subject to statute of limitations **for collection.**;
- State tax lien may be filed.-

~~FOD collection staff should work directly with Investigations staff to set the taxpayer on a monthly payment plan equal to the total restitution/cost of investigations awarded divided by the length of probation, parole, or diversion. An exception will be made for cases where the payment plan has been set by the court or where the taxpayer has submitted documentation supporting a financial hardship, in which case a review of the financial documents will be used to set the monthly payment amount. (See CPPM section 770.000.) If notified by CSB, collection action should be taken if the taxpayer is in default of the probation, parole, or diversion terms. **Collectors are responsible for collections and customer service after the collection case has been assigned to the responsible area by CSB.**~~

¹ **RTC sections 7157, 8407, 30483, and 60709**

~~The~~ CDTFA may consider offer in compromise requests submitted by taxpayers owing **COR**~~court ordered restitution,~~ provided **that** ~~the amount of the offer includes the unpaid restitution amount~~**all other offer in compromise criteria is satisfied.**

RESTITUTION ORDER TO FEDERAL AGENCY

In cases where a taxpayer is ordered to make restitution payments to a federal agency, a case referral should be submitted to **Investigations CIS** with the following:

- Investigations' restitution summary form, and
- ~~Copies of Investigations'~~**A copy of the** executive summary (when applicable) and all court documents detailing the sentencing, restitution, terms, and requirements during the probation period.

After **Investigations CIS** reviews the referral, they will forward it to CSB to consult with the Litigation Bureau to determine if collection action may be taken.

GARNISHMENTS

755.000

GENERAL

755.010

The Wage Garnishment Law (CCP sections 706.010-706.154) governs certain earnings garnishment procedures, including the Earnings Withholding Order for Taxes (EWOT), which are set forth in CCP sections 706.070-706.084. The state is ~~at~~ the levying officer for wage garnishments ~~(Code of Civil Procedure (CCP) section 706.074).~~¹ Earnings owed to a taxpayer by ~~his or her~~ **their** employer are only reachable by:

1. Earnings Withholding Order for Taxes (EWOT), (CDTFA-425-E).
2. Jeopardy Earnings Withholding Order for Taxes (CDTFA-425-E).

EWOTs may only be served on out-of-state employers in certain circumstances (see CPPM section 731.025). ~~The following~~ **Following** is a description of each of these instruments, as well as instructions for their use.

EARNINGS WITHHOLDING ORDER FOR TAXES (EWOT)

755.020

Receipt of an EWOT generally requires the employer to begin withholding earnings on the first workday occurring ten or more days after service of the EWOT.² ~~Under CCP section 706.074 and USC Title 15, section 1673(a), the~~ **The** maximum amount that may be withheld from the aggregate disposable earnings of an individual for any workweek is the lesser of:³

1. Twenty-five percent (25%) of weekly disposable earnings, or
2. The amount of weekly disposable earnings that exceed 30 times the federal minimum hourly wage in effect at the time the earnings are payable. The EWOT contains instructions for the employer which includes a table to determine the amount to withhold.

The EWOT remains in effect until the total amount indicated in the EWOT is paid or the EWOT is withdrawn. If the taxpayer terminates ~~his or her~~ **their** employment, the EWOT continues in effect for one year after such termination.⁴ If employment resumes (with the same employer) within the year following termination, the EWOT remains in effect.

Priority

Priority for Earnings Withholding Orders is as follows:⁵

1. Court Order Assigning Salary/Wages (for support), and Earnings Withholding Order (EWO) for Support
2. Earnings Withholding Order for Taxes

¹ [CCP section 706.074](#)

² [CCP section 706.078 \(a\)](#)

³ [CCP section 706.074 and 15 USC section 1673 \(a\)](#)

⁴ [CCP section 706.078 \(c\)](#)

⁵ [CCP section 706.077](#)

3. Earnings Withholding Order

An EWO served by court order takes precedence over other wage garnishments. However, if a residual amount of the maximum available amount of disposable earnings remains after the employer withholds the amounts required by the court-ordered EWO, ~~the~~ CDTFA's EWOT may capture the remaining ~~residual~~ amount.

Regarding EWOTs for taxes or fees, the rule is "first in time is first in right." Only one EWOT for taxes or fees may be in effect at any given time. If an employer is withholding under a prior EWOT for taxes or fees, any subsequent EWOT for taxes or fees is ineffective and must be withdrawn immediately until the prior EWOT has been satisfied or withdrawn.¹ This is true even if the prior EWOT for taxes or fees was modified to require less than the amount allowed under the law.

Service

Service of an EWOT may be made by first class mail or in person by any CDTFA employee.² The follow-up will be set in such a way as to ensure:

1. The employer responds within 15 days of service, ~~as required by law~~.³
2. The employer remits **the** amounts withheld from the employee's earnings.

At any time after service of the EWOT, the ~~employee/taxpayer/feepayer~~ may request an administrative hearing for reconsideration or modification of the amount to be withheld by the employer **because all or a part of the amount to be withheld is necessary for the support of the taxpayer's family**.⁴

Administrative Hearing

If the taxpayer requests an administrative hearing, ~~the CDTFA team members should request that the taxpayer should complete the CDTFA-403-E, Individual Financial Statement a financial statement prior to the hearing.~~⁵ ~~Along with providing the taxpayer with a CDTFA-403-E, Individual Financial Statement, the CDTFA, no less than seven days before the hearing, CDTFA~~ must advise the taxpayer of the time, place, and date of the hearing **and should give the taxpayer at least ten days' notice before the hearing, unless the taxpayer requests to meet earlier**.⁶ ~~The taxpayer should present his or her completed financial statement to the hearing officer for review on or before the date set for the hearing.~~

If the person requesting a hearing **does not** ~~refuses to~~ furnish a financial statement, the person ~~should~~ **is required to** disclose the information at the hearing. The EWOT should not be modified or released, if the person does not disclose the ~~requested~~ financial

¹ CCP section [706.077 \(b\)](#)

² CCP section [706.080](#)

³ CCP section [706.101 \(b\)](#)

⁴ CCP sections [706.051 \(b\)](#) and [706.075 \(c\)](#)

⁵ CCP sections [703.530 \(a\)](#), [706.051 \(b\)](#), [706.075 \(c\)](#), and [706.105 \(b\)](#)

⁶ GC sections [11405.2](#) and [11509](#)

information **needed to establish that all or a part of the amount to be withheld is necessary for the support of the person's family.**

Hearings shall be informal, and the hearing officer should be the lowest supervisory level. The hearing officer should not be the immediate supervisor of the employee who served the EWOT.

The hearing officer must issue ~~his or her~~**their** written decision within 15 days after the request for reconsideration is received by ~~the~~ CDTFA.¹ If the hearing officer determines that all or a part of the amount withheld is necessary for the support of the taxpayer's family, the EWOT may be modified. The employer should be sent a CDTFA-425-M, *Modification of Order to Withhold Taxes*, containing either:

1. A new withhold amount,
- ~~1-2.~~ **2. A new percentage/portion of disposable earnings to be withheld,** or
- ~~2-3.~~ 3. Notification that the EWOT is withdrawn.

Attempt to Evade by Employer

~~Code of Civil Procedure (CCP) section 706.153 states that i~~If an employer is deferring or accelerating an employee's earnings **with the intent in an attempt** to defeat or diminish ~~the~~ CDTFA's rights under ~~an~~**the** EWOT, ~~the~~ CDTFA may bring civil action against the employer.² In these cases, notify the Collections Support Bureau (CSB) so **that proper** action to recover from the employer may be initiated.

~~The~~**If the taxpayer's employer withholds earnings pursuant to an EWOT but does not remit the amount withheld,** CDTFA ~~is authorized to hold a taxpayer's~~**may hold the** employer liable for **those** earnings ~~the employer withheld pursuant to an EWOT, but failed to remit to the CDTFA.~~³

The taxpayer must provide substantiating evidence (e.g., payroll documentation) to ~~the~~ CDTFA identifying amounts withheld as the result of ~~a wage garnishment~~**an EWOT** that were not remitted to ~~the~~ CDTFA. Prior to holding an employer ~~personally~~ liable, ~~the~~ CDTFA must provide written notification to the employer regarding the missing payments and allow 15 days for the employer to remit payment. Should the employer fail to remit payment for the withheld amounts, ~~the~~ CDTFA will issue a tax or fee determination against the employer.⁴

The tax or fee determination issued against the employer will include the amount of the withheld payments the employer failed to remit and will be billed as a tax or fee liability, regardless of the composition of the taxpayer's liability.⁵ For example, the missing wage garnishment payments will be billed to the employer as a tax or fee liability even if the taxpayer's account balance is only comprised of penalty and/or interest amounts. If several wage garnishment payments were not remitted by the employer, they can be

¹ **CCP section 706.075 (c)**

² **CCP section 706.153**

³ **RTC sections 6704, 30316, 32387.5, 38503.5, 40156, 41123.6, 46407, 55205.5, 60408**

⁴ **RTC sections 6704, 30316, 32387.5, 38503.5, 40156, 41123.6, 46407, 55205.5, 60408**

⁵ **RTC sections 6704, 30316, 32387.5, 38503.5, 40156, 41123.6, 46407, 55205.5, 60408**

billed as one tax or fee liability with interest accruing on the entire amount billed from the date the first unremitted payment was withheld from the taxpayer's earnings. (A determination can be issued against an employer up to seven years from the date the first unremitted wage garnishment payment was withheld from a taxpayer.)¹ As with other tax or fee determinations, a 10% finality penalty will accrue if the liability is not paid prior to the finality date. The same appeal rights available for other determinations issued by ~~the~~ CDTFA apply to determinations issued to employers under ~~Revenue Taxation Code (RTC)~~ section 6704 and applicable RTC sections for the various special taxes and fees programs.²

Immediately upon an employer's liability becoming due and payable (i.e., a "final liability"), an adjustment will be made to the taxpayer's account, whether or not payment from the employer has been received.³ In essence, RTC section 6704 and applicable special taxes and fees statutes allow ~~the~~ CDTFA to shift the liability (for the amount of the unremitted wage garnishment payments) from the taxpayer to the employer, **and are subject to all remedies available to CDTFA in collecting tax or fee liabilities.**

~~The employer will be held liable for the amounts as if it were a tax or fee liability, and all remedies available to the CDTFA in collecting tax or fee liabilities are also available in collecting liabilities created under RTC section 6704 and applicable RTC sections for the various special taxes and fees programs.~~

Instances involving these RTC sections are rare; however, when they do arise, **staffteam members** should investigate them thoroughly. The starting point of the investigation should involve obtaining documentation identifying the amounts the employer withheld but failed to remit to ~~the~~ CDTFA. In most cases, taxpayers can provide this information by submitting copies of their paycheck stubs. Should these documents be unavailable, or if they do not provide the necessary information, other substantiating evidence provided by the taxpayer, such as documentation identifying amounts withheld from the taxpayer's earnings, may also be considered. If the taxpayer is unable to provide sufficient documentation, **staffteam members** will inform the taxpayer the request cannot be processed. In these instances, no further action by ~~staff~~ **the team member** is required.

Payment Verification

Upon receipt of the documentation, **staffteam members** should review the taxpayer's account information in the ~~online~~-system to verify the payments have not been previously applied to the taxpayer's account. If the payments cannot be located, **staffteam members** should contact the taxpayer's employer by telephone to rule out the possibility of errors being made by the employer or ~~the~~ CDTFA. For example, the employer may have referenced an incorrect account number on the payments or may have directed the payments to another agency (e.g., Franchise Tax Board, Internal

¹ **RTC sections 6704, 30316, 32387.5, 38503.5, 40156, 41123.6, 46407, 55205.5, 60408**

² **Regulation 35005**

³ **RTC sections 6704, 30316, 32387.5, 38503.5, 40156, 41123.6, 46407, 55205.5, 60408**

Revenue Service) in error. Likewise, ~~the~~ CDTFA may have made errors in processing the payments, causing them to be applied to an incorrect account.

In situations where the payments are found to have been applied to an incorrect account (either through ~~the~~ CDTFA's or the employer's error), **staffteam members** should move the payments to the taxpayer's account. If ~~staff is~~ **team members are** unable to move the payments, **they should contact either the** Return Analysis **UnitSection** (RAUS), Return Processing **BranchSection** (RPBS), or Motor Carrier Office (MCO) ~~staff should be contacted~~ for assistance. After the misapplied payments are moved to the taxpayer's account, ~~collection staff should generate a~~ **an updated** Statement of Account ~~in the online system and provide it~~ **should be provided** to the taxpayer.

If the employer remitted the payments to another agency in error, the taxpayer should be instructed to contact the other agency to resolve the situation. ~~The~~ CDTFA will not request payment from the employer or hold the employer liable in these situations. If the EWOT is still in effect, **staffteam members** should ensure the employer is aware of the correct CDTFA address where future wage garnishment payments should be directed.

Request Payment from Employer

When ~~staff has confirmed the~~ **team members confirm** CDTFA has not received the withheld amounts, the employer will be requested to immediately remit payment for the missing amounts. ~~The~~ CDTFA is required to provide the employer with a written request for payment for the unremitted amounts prior to holding the employer ~~personally~~ liable.¹ **StaffTeam members** should mail a CDTFA-425-EM, *EWO-Request for Payment Withheld*, to the employer. When generating this letter, **the team member must select the option to send a copy of the letter to the taxpayer and select the Add button from the Copies tab.** ~~a taxpayer copy is also created and should be mailed to the taxpayer.~~

The CDTFA-425-EM **identifies the amount withheld from the taxpayer's earning as a result of the EWOT along with the total amount actually received by CDTFA.** ~~identifies the amount withheld from the taxpayer's earnings as a result of the wage garnishment along with the total amount actually received by the CDTFA. Further, this letter requires the employer to provide payment of the unremitted amounts within 15 days to avoid being held personally liable.~~ While ~~the~~ CDTFA is required to provide the employer 15 days to **remit the amount due or respond to the letter,**² in some instances it may be appropriate to allow the employer additional time. **Further, this letter advises the employer to provide payment of the unremitted amounts to avoid being held liable.**

If the employer sends the payment, it should be applied to the taxpayer's account. Once the payment has been processed, **staffteam members** should generate a Statement of Account and provide it to the taxpayer. No further action against the employer should be necessary. However, if the ~~wage garnishment~~ **EWOT** is still in effect, **staffteam**

¹ RTC sections [6704](#), [30316](#), [32387.5](#), [38503.5](#), [40156](#), [41123.6](#), [46407](#), [55205.5](#), [60408](#)

² RTC sections [6704](#), [30316](#), [32387.5](#), [38503.5](#), [40156](#), [41123.6](#), [46407](#), [55205.5](#), [60408](#)

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members may need to review the taxpayer's account periodically to ensure all future wage garnishment payments are received from the employer.

If the response received from the employer indicates that payment for the identified amounts was previously remitted to ~~the CDTFA, staff~~ **CDTFA, team members** may need to contact the employer by telephone to **determine if** ~~rule out the possibility that~~ the employer actually remitted payment to ~~the CDTFA~~ (and the payment was applied to an incorrect account) or remitted payment to another agency in error.

Holding Employer Liable

If the employer does not respond to letter CDTFA-425-EM, or if the response does not provide information necessary to confirm payments were remitted, **staffteam members** will request that the employer be held liable. To accomplish this, **staffteam members** will prepare a memorandum to CSB detailing the situation and requesting a determination be established and billed against the employer. The memorandum must include the following information:

1. Taxpayer's name and CDTFA account number.
2. Employer's name, mailing and business addresses, and CDTFA account number (if applicable).
3. Date the EWOT was issued and the employer's response to the order.
4. Amounts withheld from the taxpayer's earnings which were not received by ~~the~~ CDTFA, including the dates each amount was withheld (if available).
5. Summary of ~~staff's~~ **staffteam member's** investigation, including the results of reviewing the taxpayer's account information in the ~~online~~ system and contacting the employer.
6. Statement indicating the date letter CDTFA-425-EM was mailed to the employer and the employer's response.
7. Copies of all pertinent documents (e.g., employer's response to earnings withholding order and payment documentation provided by taxpayer).

The Administrator or Compliance Principal must **make a note approving** ~~approve~~ the request prior to ~~sending it to the team member creating a work item for~~ CSB. ~~A copy of the approved request should be retained in the taxpayer's collection notes.~~

Taxpayer's/Feepayer's Liability

StaffTeam members must not require payment from a taxpayer for any amounts withheld but not remitted by the employer (i.e., amounts included in the request sent to CSB). Once the employer's determination is final, **CSB must notify the** Petitions Section, RPBS or MCO ~~staff will to~~ perform the necessary adjustment to reduce the liability on the taxpayer's account.

Responsible Office Collector

The responsible collector of the taxpayer's liability is also responsible for collection of the employer's liability, regardless of where the employer is located. However, if liabilities existed on the employer's account prior to the billing of the determination, the office of control for that account is responsible for collection of all the employer's liabilities.

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The office initiating the determination against the employer will be responsible for assisting the Petitions Section or **Appeals and Data Analysis Branch (ADAB)** in the event the employer files a petition for redetermination.

Collections Support Bureau Responsibilities

StaffTeam members in CSB ~~is~~ **are** responsible for reviewing the collector's request to ensure all necessary information is provided. If there are any questions regarding the request, CSB **staffteam members** should contact the person who prepared the request. In the event the request is incomplete and cannot be processed, **CSB should inform the requestor** ~~it should be returned to the requestor along~~ with a clear explanation of why the request has been denied.

CSB ~~staff will handle~~ **team members will** complete **the** requests by **adding a cross reference on the CRM tab of the Customer Springboard. Notes should be placed on both Customer Springboards with** ~~verifying the employer has an active sales tax or special tax and fee account. If the employer does not have an active account, CSB staff will establish an arbitrary account using the information provided in the request.~~

~~CSB staff will add comments to the taxpayer's and employer's accounts in the online system. The comments will include a cross reference of the related account number and will include a brief description of how the accounts they are related to each other.~~

CSB **staffteam members** will then contact **attheir** supervisor and provide ~~him or her them~~ with all **of the** documentation pertaining to the request.-

~~Return Analysis Unit (RAU), Return Processing Branch (RPB), or Motor Carrier Office (MCO) Responsibilities~~

~~Staff in RAU, RPB, or MCO will create and bill determinations issued under RTC section 6704 and applicable RTC sections for various special tax and fee programs. However, RAU, RPB, and MCO will not be responsible for assisting with petitions for redetermination.~~

~~The primary/secondary liability functionality available in the online system (used to link liabilities on two or more accounts) cannot be used for cases involving section 6704 and applicable RTC sections for various special tax and fee programs. The inability to use this existing functionality stems from the fact that section 6704 and applicable RTC sections for the various special taxes and fee programs require the taxpayer's account to be adjusted when the determination issued to the employer is final. Adjustment of the taxpayer's account is not dependent upon receiving payment from the employer. Therefore, for sales and use tax liabilities RAU staff must manually input local and district tax allocation information on the employer's account (based upon the local and district tax allocation on the taxpayer's account).~~

~~RAU, RPB and MCO staff will:~~

- ~~1. Create a One Time (OTM) Financial Obligation (FO) on the employer's account provided by CSB, using the REV FM screen. The revenue and payment due dates~~

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- ~~for the FO are the same date, the earliest date on which the employer first withheld amounts from the taxpayer's earnings.~~
- ~~2. Input revenue information on the REV RE screen for the one-time FO. For sales and use tax, the district and local tax allocation found on the taxpayer's account must be duplicated on the employer's revenue information to ensure payments received from the employer are correctly allocated according to the taxpayer's business location(s). RAU staff may need the assistance of Local Revenue Branch staff to duplicate local tax allocation information.~~
 - ~~3. Accept the revenue as "primary revenue" using the "EWOT" difference adjustment reason code.~~
 - ~~4. Create the employer's notice of determination using the DIF NN screen. Sales and use tax accounts will include Bill Note #138 which references the taxpayer's name, CDTFA account number, and mentions RTC section 6704. This bill note also references the date on which the CDTFA notified the employer in writing of the missing payments (CDTFA 425 EM) and identifies the telephone number of the CDTFA office the employer should contact for assistance. Staff will also include Bill Note #999 (free form text) to identify the wage garnishment payments (dates and amounts) the billing represents. Special tax and fee accounts will include Bill Note #999 to identify taxpayer's name, CDTFA account number, relevant RTC section, date on which the CDTFA notified the employer in writing of the missing payments (CDTFA 425 EM), the telephone number of the CDTFA office the employer should contact for assistance and identify the wage garnishment payments (dates and amounts) the billing represents.~~
 - ~~5. RAU staff will create a manual assignment in the online system on the employer's account for the Petitions Section. The assignment is created on the employer's account since Petitions staff will need to ensure the employer's determination is final prior to adjusting the liability on the taxpayer's account. Staff in the Petitions Section, RPB or MCO will be responsible for adjusting the taxpayer's account once the determination issued against the employer is final.~~

~~After displaying the difference detail (DIF DD) of the employer's determination, RAU staff will press the F24 ASC key and navigate to the Maintain Task (ASC MT) screen to input the necessary assignment information:~~

- ~~1. Business Action Code = "EWOADJ"~~
- ~~2. Due Date = 60 days after the date of the employer's determination~~
- ~~3. Office = "PETITION"~~
- ~~4. Workgroup = "ADJ/SPEC"~~
- ~~5. Role = "RED&ADJ"~~
- ~~6. Task Notes identifying the taxpayer's name and account number~~

~~RAU staff should forward all documentation pertaining to the determination to the employer's file in the Taxpayer Records Unit for sales and use tax accounts. RPB or MCO staff will maintain all documentation for special tax and fee accounts in their respective taxpayer files.~~

Petitions Section and Appeals and Data Analysis Branch (ADAB) Responsibilities

An employer who disagrees with a determination ~~resulting from RTC section 6704 and applicable RTC sections for the various special tax and fee programs~~ **they received** will

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have 30 days from the date of the Notice of Determination to file a petition for redetermination.¹ Petitions Section **or /ADAB staffisteam members are** responsible for handling the employer's petition by following existing appeals procedures. ~~If necessary, the office that initiated the determination will provide assistance to Petitions Section/ADAB staff.~~

If applicable, the Petitions Section **or /ADAB staff will perform the adjustment to team members will adjust** the taxpayer's account once the employer's determination is final. ~~Staff should access their Assignment Control assignments (Business Action Code, "EWOADJ") on (or shortly after) their due dates, which is initially set at 60 days after the employer's Notice of Determination is generated. The assignment is linked to the employer's account since a review of the determination is necessary to confirm it is final prior to performing the adjustment on the taxpayer's account.~~

~~In the event the determination has been petitioned, Petition Section staff will modify the due date of the assignment (allowing 30, 60, or 90 days depending upon the situation) for follow up at a later date. Petition Section staff should also modify the assignment due date (60 days) once a Notice of Redetermination has been issued.~~

~~Upon confirming the employer's determination is final, Petition Section and ADAB staff will perform the adjustment of the taxpayer's account using the Adjustment Type code "EWOT" on the DIF LA screen (legal adjustment). When performing these adjustments, staffteam members must be aware:~~

1. The adjustment is only for the total amount of the unremitted wage garnishment payments billed to the employer. The adjustment amount excludes any interest and penalty amounts the employer's determination may include.
2. The effective date of the adjustment is the **first date that the unremitted amount, in the aggregate, was first withheld by the employer** ~~same as the effective date of the employer's liability (see the period date for the employer's liability on the DIF DA screen).~~²
3. The adjustment should first be made to the portion of the taxpayer's liability before adjusting any collection cost recovery fees, interest, or penalty amounts.

Once the adjustment has been completed, Petitions Section or ADAB **staffteam members** will generate a statement of account for the taxpayer **which may include a Freeform Bill Note to provide an explanation of the adjustment performed.** ~~Staff will include Bill Note #999 (free form text) to provide an explanation of the adjustment performed.~~

¹ [Regulation 35007](#)

² [RTC sections 6704, 30316, 32387.5, 38503.5, 40156, 41123.6, 46407, 55205.5, 60408](#)

Spouse's Wages

~~CCP section 706.109 prohibits the~~ CDTFA **is prohibited** from attempting to reach the wages of a ~~tax/fee debtor's~~ **taxpayer's** spouse without first obtaining a court order.¹ This CCP section states:

“An earnings withholding order may not be issued against the earnings of the spouse of the judgment debtor except by court order upon noticed motion.”

If a team member determines that the wages of a taxpayer's spouse are community property (see CPPM section 753.240) and decides it's necessary~~If staff decides~~ to pursue collection of amounts due by serving an EWOT on **such** wages ~~of a judgment debtor's spouse~~, the case must be referred to CSB **by opening a Spousal Earnings Withholding Order legal case in the system**. This will be done only when there is no possibility of a dual and there is a substantial liability (over \$~~5,000~~**2,000**). **The spouse must be notified of the potential wage garnishment before the legal case is submitted to CSB.** CSB will prepare a referral and coordinate the case with the Attorney General. ~~These cases, once referred, are entered in LGL AG in IRIS using Legal Type Code "EWOT."~~ **An EWOT for the spouse's wages cannot be issued until CDTFA has obtained a court order allowing this action. Due to**~~Because of~~ the time, cost and lengthy delays which may occur in the process, it is vital that as much information as possible, for the period when the liability was incurred and also for the current period, be obtained and listed substantially in the format shown in the following sample memorandum. This will assist CSB in preparing the referral.

¹ **CCP section 706.109**