STATE OF CALIFORNIA

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November 17, 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 CPPM sections 535.065-535.075, and 540.170-540.180 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 December 17, 2026, to 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,

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

REQUEST FOR RELIEF FROM INTEREST - UNREASONABLE ERROR OR DELAY 535.065

RTC 6593.5 and similar provisions for special taxes and fees (see ~~following~~ table **below**) provide CDTFA authority to grant **full or partial** relief ~~of all or part~~ of the interest imposed, provided the reason for the failure to pay is due in whole or in part to an unreasonable error or delay by **a** ~~an employee of~~ CDTFA **team member** acting in ~~his or her~~**their** official capacity. Additionally, if the failure to pay **sales and** use tax ~~on a vehicle or vessel registered with the DMV~~ was the direct result of an error by ~~the DMV in calculating the use tax~~**a state agency that collects tax on behalf of CDTFA**, interest may be relieved. No significant aspect of the error or delay can be attributable to an act of, or failure to act by, the taxpayer.

Tax or Fee Program	Revenue and Taxation Code
Sales and Use Tax	6593.5
Motor Vehicle Fuel Tax	7658.1
Use Fuel Tax	8878.5
Private Railroad Car Tax	11409
Cigarette and Tobacco Products Tax	30283.5
Alcoholic Beverage Tax	32256.5
Timber Yield Tax	38455
Energy Resources Surcharge	40103.5
Emergency Telephone Users Surcharge	41097.5
Hazardous Substances Tax	43158.5
Integrated Waste Management Fee	45156.5
Oil Spill Response, Prevention, and Administration Fees	46157.5
Underground Storage Tank Maintenance Fee	50112.4
Programs subject to the Fee Collection Procedures ~~Law1~~**Law (see below)**	55046
Diesel Fuel Tax	60212

~~1 The fees~~**Fees** and taxes collected pursuant to the Fee Collection Procedures Law include the following programs: California **Electronic Cigarette Excise Tax, California** Tire Fee, **Cannabis Taxes,** Covered Electronic Waste Recycling Fee, **Covered Battery-Embedded Waste Recycling Fee,** Marine Invasive Species Fee, **Lead-Acid Battery Recycling Fees,** Natural Gas Surcharge, **specified local charges collected pursuant to the Local Prepaid Mobile Telephony Services Collection Act,** Water Rights Fee, ~~and~~ Lumber Products Assessment**, Lithium Extraction Excise Tax, and Firearm, Firearm Precursor Part, and Ammunition Excise Tax.**

Taxpayers seeking relief under these statutes must submit their request either online or in writing, along with a detailed explanation of the facts supporting the claim. All requests must include a statement signed under penalty of perjury. Online requests include a "Declaration of Intent to Submit a Relief Request," which contains a penalty of perjury statement. Form CDTFA-735, *Request for*

***Relief from Penalty, Collection Cost Recovery Fee, and/or Interest,* also contains a penalty of perjury statement.**

~~**GUIDELINES FOR CONSIDERATION OF INTEREST RELIEF FOR UNREASONABLE ERROR OR DELAY 535.070**~~

~~Each request for relief of interest should be evaluated on its own merits and only the interest attributable to an unreasonable error or delay by CDTFA or DMV is eligible for relief. The following are guidelines that may assist staff in determining if an unreasonable error or delay has occurred. Circumstances that may be considered as causing an unreasonable delay include, but are not limited to, the following:~~

- ~~The auditor was on sick leave for an extended period, or left CDTFA, and the audit was not timely reassigned.~~
- ~~A CDTFA employee misplaced audit work files/papers, resulting in reconstruction of data or requesting duplicate information from a taxpayer.~~
- ~~Mail was sent to an incorrect address when CDTFA had prior knowledge of the correct address and failed to update the records timely.~~
- ~~A taxpayer failed to file a timely return or payment due to their reliance on erroneous, documented verbal advice from CDTFA.~~
- ~~An account was closed in error by CDTFA staff, which caused the taxpayer to be unable to pay the taxes or fees when due. (This would not include accounts closed due to apparent inactivity caused by the failure of the taxpayer to notify CDTFA of an address change.)~~
- ~~CDTFA staff caused an unusual delay in registration of the taxpayer.~~
- ~~CDTFA mailed a billing for the collection of a fee based on incorrect information provided by another agency, causing a delay in issuing a correct billing.~~

~~Circumstances that would not qualify for consideration of relief from interest include, but are not limited to, the following:~~

- ~~Action was delayed because of a regulatory or policy change being considered by CDTFA.~~
- ~~Audits and appeals that involved complex issues or required extensive examination of records which resulted in additional time needed for completion.~~
- ~~The taxpayer failed to timely notify CDTFA of a change of address.~~
- ~~The taxpayer failed to register with CDTFA in a timely manner, or failed to provide required information and/or documentation in a timely manner.~~
- ~~Another state or federal agency (e.g., DMV, Department of Housing and Community Development, Federal Aviation Administration, or US Coast Guard) failed to inform the taxpayer of the need to register with CDTFA which resulted in a delay in assessment of the taxes or fees.~~
- ~~The taxpayer received a billing for unpaid, self-assessed taxes or fees within the statute of limitations.~~
- ~~DMV calculated the use tax because the taxpayer did not present a bill of sale, which resulted in an understatement of the actual sales price and an assessment of the difference.~~

PROCESSING OF RELIEF OF INTEREST REQUESTS FOR UNREASONABLE ERROR OR DELAY ~~535.075~~535.070

General

Taxpayers may submit a relief of interest (ROI) request when the failure to pay is due to an unreasonable error or delay of a CDTFA team member acting in their official capacity, or the direct result of an error or delay by a state agency collecting the tax on behalf of CDTFA. ROI requests may be submitted online through CDTFA's online services, by completing and submitting paper form CDTFA-735, or through other written communication delivered by mail, email, or in person. All ROI requests must include a statement, signed under penalty of perjury, that clearly provides the facts supporting the claim, along with any other information CDTFA may require. Written ROI requests received other than on a CDTFA-735 form are generally accepted, provided they meet the requirements outlined in RTC 6593.5 or the equivalent special tax and fee statute.

Online ROI requests~~Online requests for relief of interest for unreasonable error or delay (ROI)~~ are placed in a pending status and a relief request case is automatically created using set criteria after the online submission is processed during the nightly job(s). Case assignment **to a processing area** depends on the type of billing for which relief is being requested. ~~All cases for CDTFA-assessed liabilities are automatically routed to the Petitions Section for sales and use tax accounts or the Appeals and Data Analysis Branch (ADAB) for special tax and fee accounts. Cases for self-assessed liabilities are automatically routed to the Return Analysis and Allocation Section (RAAS), Return Processing Branch (RPB), or Motor Carrier Office (MCO). Self-assessed cases for MCO should then be routed to ADAB for processing. Cases for consumer use tax accounts are automatically routed to the Consumer Use Tax Section (CUTS).~~ **For relief requests submitted in writing, a case must be manually created by the processing area.**

Roles and Workflow

***Processing Area*: Processing areas are tasked with providing an initial review of the request to determine if it has merit, rejecting the request if the grounds stated are not sufficient to warrant relief, and sending an acknowledgement to the taxpayer that the request was received if the request was not submitted through the system. If the processing area determines the request merits further review, it will be routed to the section, unit, or field office** ~~Once the case is initially reviewed by the processing area, and it is determined to have merit, it may need to be reassigned to the unit, section, branch, or office~~ responsible for the error or delay (responsible area) for **further** review and recommendation. ~~When there are~~**Processing areas will make the final adjustments and complete the case after it has been reviewed by the responsible area.**

Any CDTFA section, unit, or field office that receives an ROI request should forward it to the appropriate processing area. ROI requests received in writing will require the processing area to manually create a case in the system. Online ROI cases are automatically routed by the system to the following processing areas for initial review based on billing type.

Sales and Use Tax Accounts

- **ROI requests for self-assessed liabilities are routed to the Return Analysis Section (RAS).**

- **ROI requests for department-assessed liabilities are routed to the Petitions Section.**
- **ROI requests for self-assessed and department-assessed liabilities for consumer use tax accounts are routed to the Consumer Use Tax Section (CUTS).**
    - **For all ROI requests, CUTS is both the processing area and the responsible area.**

Special Taxes and Fees Accounts

- **ROI requests for self-assessed liabilities, other than account types worked by the Motor Carrier Office (MCO), are routed to the Registration and Return Processing Branch (RRPB).**
- **ROI requests for department-assessed liabilities are routed to the Appeals and Data Analysis Branch (ADAB).**
- **ROI requests for self-assessed MCO liabilities are routed to ADAB for processing and assignment back to MCO.**

Processing areas such as RAS and RRPB may act as the responsible area with delegated authority under certain circumstances (see CPPM section 535.075, *Requests of $15,000 or Less* and *Responsible Area* below for more information). The Petitions Section and ADAB are only considered processing areas.

***Responsible Area*: The responsible area is tasked with reviewing ROI requests received from a processing area and providing a recommendation to grant, partially grant, or deny the request. Responsible areas may also be tasked with notifying the taxpayer in writing regarding their decision and notifying the appropriate processing area to finalize any adjustments needed.**

Responsible areas for sales and use tax liabilities generally include the Field Operations Division (FOD) [which includes the Use Tax Collections Bureau (UTCB)], RAS, and CUTS. Responsible areas for special tax and fee liabilities generally include the Audit Examination Branch (AEB), RRPB, the Compliance Branch, and MCO. There may be situations where multiple responsible areas **are** involved ~~with the ROI~~**in a relief** request**. In these circumstances**, the Audit **and** Information Section (AIS) ~~generally functions~~**will function** as the responsible area **(see CPPM section 535.075, *Requests Involving Multiple Responsible Areas*,** for ~~compiling all~~**more** information~~.~~**).**

The Technology Services Division (TSD) and other technology sections within CDTFA are not considered responsible areas for purposes of ROI requests. Relief requests received based on claimed CDTFA system outages or technology issues should be reviewed for recommendation by the processing area with delegated authority that received the request (see *Review and Recommendation of Relief of Interest Requests*, and CPPM section 535.075, *Processing Relief of Interest Requests*, for more information).

Review and Recommendation of Relief of Interest Requests

A comprehensive analysis of each case is required and the evidence to support relief from interest ~~must be convincing~~**should be carefully reviewed**. Copies of documentary evidence **from the taxpayer or CDTFA** should be provided whenever possible. ~~A recommendation to grant or deny relief should be made within 30 days from receipt of~~

~~the request. Recommendations for relief are prepared by the responsible area and a relief request case is assigned to them for recommendation. The relief request case should remain in the "Pending-Review Required" stage for the processing area to stage the case according to the recommendation.~~

~~For sales and use tax accounts, if a relief request case is not automatically created by the system, a manual one is created by the processing area. When it is determined that the case should be referred to a responsible area, a referral memo or letter will be attached to the ROI~~**Once the case is initially reviewed by the processing area and determined to have merit based on a claimed error or delay by a CDTFA team member acting in their official capacity, it may need to be reassigned to the section, unit, or field office where the claimed error or delay occurred (responsible area). The processing area will add a note to the** relief case **summarizing the reason for referral** and **assign** the ~~relief~~ case ~~will be reassigned~~ to the administrator or supervisor for the responsible area~~.~~

~~For special taxes and fees accounts, online pending ROI requests automatically create an assignment in the system. Once the case is initially reviewed by team members in RPB, ADAB, or MCO, it may need to be re-assigned to the unit, section, branch or office responsible for the error or delay~~ for review and recommendation. **The relief request case should remain in the "Pending-Review Required" stage for the processing area to stage the case according to the recommendation.**

Guidelines for Evaluating Relief of Interest Requests

~~Although each~~ **Each ROI** request ~~for ROI~~ should be evaluated on its own merits~~,~~**. Only** the **interest attributable to an unreasonable error or delay by CDTFA or a state agency collecting the tax on behalf of CDTFA is eligible for relief. The** following guidelines may assist **team members** in determining if an unreasonable error or delay has occurred.

Circumstances that may be considered **an** unreasonable **error or delay** and therefore qualify for consideration of ~~ROI~~**relief** include, but are not limited to:

- The auditor was on sick leave for an extended period, or left CDTFA, and the audit was not timely reassigned, resulting in an unreasonable delay.
- A CDTFA ~~employee~~ **team member** erroneously deleted audit work papers or case files, causing CDTFA to reconstruct data or require the taxpayer to provide information a second time.
- Mail was sent to an incorrect address when CDTFA had prior knowledge of the correct address and failed to update the records timely.
- CDTFA caused an unusual delay in registering the taxpayer.
- A taxpayer failed to file a timely return or make a payment timely due to their reliance on erroneous documented verbal advice from CDTFA. Documentation of verbal advice might include notations in the system. (Note: Incorrect written advice may qualify for cancellation of liability, and therefore interest charges, under other law sections.)
- CDTFA ~~computer problems~~ **system outages or technology issues** caused a processing delay that resulted in interest assessed against a taxpayer.
- An account was closed in error by CDTFA which caused the taxpayer to be unable to pay the taxes~~/fees~~ when due. (This does not include accounts closed

due to apparent inactivity caused by the failure of the taxpayer to notify CDTFA of an address change.)

- CDTFA mailed a billing for the collection of a fee based on incorrect information provided by another agency, causing a delay in issuing a correct billing.
- An error or delay occurred that is the direct result of a state agency that collects the tax on behalf of CDTFA.

Circumstances that ~~would not be~~ **are generally not** considered unreasonable and therefore **do** not qualify for consideration of ~~ROI~~**relief** include, but are not limited to:

- Action was delayed due to a regulatory or policy change being considered by CDTFA.
- Audits and appeals that involved complex issues or required extensive examination of records which resulted in additional time needed for completion.
- Timely seeking written clarification of statute or policy from CDTFA management or other sections where such clarification is provided in a reasonable time.
- The taxpayer failed to timely notify CDTFA of a change in address.
- The taxpayer failed to register with CDTFA in a timely manner or failed to provide required information and/or documentation in a timely manner.
- Another state or federal agency failed to inform the taxpayer of the need to register with CDTFA or provide that information to CDTFA, which resulted in a delay in assessment of taxes/fees.
- ~~The taxpayer received a billing for unpaid, self-assessed taxes/fees within the statute of limitations.~~
- ~~During normal processing (for example, return processing), CDTFA found items that required further review and/or investigation. (For example,~~ DMV calculated ~~the use~~ tax because the taxpayer failed to present a bill of sale, which resulted in an understatement of the actual sales price and an assessment of the difference~~.)~~**.**
- **During normal processing CDTFA found items that required further review and/or investigation.**

PROCESSING RELIEF OF INTEREST REQUESTS 535.075

All ROI recommendations must include the following required information:

~~**Processing Interest Relief Requests over $15,000**~~

~~After a request is reviewed by the processing area, they may forward the request via a relief request case to the responsible area where the error or delay occurred. The responsible area will review the request and make a recommendation for approval or denial in a memo addressed to the BTFD Deputy Director which includes the following information:~~

- Taxpayer's name and account number,
- **Name of the responsible area reviewing the request and providing a recommendation,**

- Summary of the **taxpayer's** reason for requesting relief,
- The tax~~/~~ **or** fee period involved and the **taxable** measure on which relief is based,
- The **date range that** interest ~~from/to dates~~**accrued**, and the dollar amount of **interest** relief being requested,
- Summary of the circumstances involved, including the facts as determined by review leading to the recommendation to grant**, partially grant,** or deny the request, and if appropriate, a statement explaining it was not possible to prove or disprove the taxpayer's position,
- Copies of available documentation to support the recommendation; or if no documentation is available, a statement to that effect,
- Recommendation to grant**, partially grant,** or deny the request, **and**
- If the recommendation is to **grant or partially** grant the request, information regarding corrective steps taken to prevent the unreasonable error or delay from recurring.~~, and~~
- ~~Name and signature of the supervisor making the recommendation.~~

Requests over $15,000

The responsible area will review the request and make a recommendation to grant, partially grant, or deny the request in a memo addressed to the Processing, Policy and Data Division (PPDD) Deputy Director. The PPDD Deputy Director reviews and approves all ROI requests over $15,000 for both sales and use tax accounts, and special tax and fee accounts.

The memo recommending ~~approval or denial of an~~**to grant, partially grant, or deny the** interest relief request ~~and~~**along with** supporting documents (for example, CRM notes, emails, CDTFA-735) must be added as an attachment to the relief request case. Letters to the taxpayer generated outside of the system should also be attached to the relief request case. **Recommendations to grant relief requests over $50,000 must be made available as a public record for at least 10 days after the effective date of the determination (see CPPM section 535.019).**

The memo shall be addressed to the ~~BTFD~~ **PPDD** Deputy Director and sent via email to "~~BTFD~~**PPDD**-TPB 6593.5 ROI Requests" mailbox for sales and use tax accounts and to "~~BTFD~~**PPDD**-TPB-STF ROI Requests" mailbox for special tax and fee accounts. **In addition to sending the memo to the appropriate inbox, the memo and all documentation should be uploaded into the system and attached to the relief request case with case notes under the Adjustments tab or Refund task subtab as appropriate.**

The Audit and Information Section (AIS**) manages the above inboxes and** reviews recommendations for all ROI requests~~. An~~ **over $15,000. AIS will prepare an** Executive Summary for Action ~~is prepared by AIS~~ and ~~submitted~~**submit it** to the ~~BTFD~~ **PPDD** Deputy Director **for final approval to grant, partially grant, or deny**. The ~~BTFD~~ **PPDD** Deputy Director reviews each recommendation to ensure consistent application of the law and to determine if further corrective action is required to prevent recurrence of the unreasonable error or delay.

~~AIS will either prepare~~**Once** a ~~memo to the responsible area that submitted the relief recommendation with a copy to the processing area, advising of the Deputy Director's~~

~~(or their designee's)~~ decision~~, or~~ **has been made, AIS** will respond directly to the taxpayer in writing **advising them of the PPDD Deputy Director's (or their designee's) decision,** with a copy of the letter to the responsible area and processing area.

The memo~~/~~**,** letter**,** and the Executive Summary for Action will be added to the ROI relief case by AIS with a case note regarding the decision. ~~If a memo was prepared, the responsible area will be required to notify the taxpayer of the Deputy Director's decision.~~ Upon receipt of the memo or letter, the processing area will update the system by processing any requisite adjustments and finalizing the relief case.

~~Recommendations to grant relief requests over $50,000 must be made available as a public record for at least 10 days after the effective date of the determination (see CPPM section 535.019).~~

~~Processing Interest Relief~~ Requests of $15,000 or Less

The ~~BTFD~~ **PPDD** Deputy Director **has** delegated authority to grant**, partially grant,** or deny requests of $15,000 or less to the following designees:

- Administrator, **Registration and** Return Processing Branch,
- Administrator, Compliance Branch**,**
- Administrator, Audit Examination Branch**,**
- Administrator, Motor Carrier Office,
- ~~Supervisor, Audit and Information Section,~~
- Administrator, Return Analysis~~ and Allocation~~ Section,
- Administrator, Use Tax Collections Bureau,
- Administrator, Consumer Use Tax Section, ~~or~~
- ~~Administrators~~**Office Administrator**, Field Operations Division**, or**
- **Supervisor, Audit and Information Section**

~~After receiving~~**Requests of $15,000 or less do not require a written memo for review by the designee. Instead, the team member providing the review and recommendation to the respective designee should add all the required information needed to grant, partially grant, or deny the request into** the relief request case~~, the designees identified above will review the ROI request, make the decision to grant or deny relief~~ in ~~their area of responsibility, notify the taxpayer by letter, and attach a copy of the letter to the relief request case.~~**the system.** The designee will ~~notify each~~**add a case note in the system of their decision and notify the taxpayer in writing regarding their decision. If the responsible area is not the processing area, they must also notify the appropriate** processing area to complete any required adjustments and **to** finalize the case. **For those cases where the area responsible for the error or delay is not supervised by one of the above designees, AIS will make the decision to grant, partially grant or deny relief and notify the taxpayer by letter. AIS will attach a copy of the letter to the relief request case and notify the processing area to process any required adjustments, if any, and finalize the relief case.**

When a Processing Area with Delegated Authority is a Responsible Area

The Technology Services Division (TSD) and other technology sections within

CDTFA are not considered responsible areas for purposes of ROI requests. Relief requests based on claimed CDTFA system outages or technology issues will be reviewed for recommendation by the processing area that received the request, generally RAS or RRPB. In these circumstances, the processing area acts as the responsible area with delegated authority to grant, partially grant, or deny a ROI request as appropriate (see *Review and Recommendation of Relief of Interest Requests* and *Responsible Area* above for more information). Processing areas without delegated authority should forward ROI requests to AIS for review and recommendation as discussed below (see *Requests Involving Multiple Responsible Areas*).

If a taxpayer claims they were not able to timely file a return or make a payment due to a CDTFA system error, the team member should first review the online services logon information and the sessions sub-tab under a user's web profile. The sessions sub-tab provides account login activity that team members may use to determine if a system issue may have occurred that requires further investigation or if the taxpayer simply filed a return late or failed to make a timely payment. If the account sessions sub-tab shows no relevant account activity before the due date of the return or time of the payment in the request, the team member may deny the request for lack of merit.

If the team member believes that there may have been a system issue based on account sessions activity, the team member should send an email to the CROS Production Support inbox and request review of the account activity for the claimed error or delay. CROS Production Support generally responds the same day or within 24 hours of the request. Once a response is received, the team member should provide a recommendation to grant, partially grant, or deny the request based on the response. If the team member denies the request for lack of merit, they should issue the response directly to the taxpayer. If the team member recommends granting or partially granting the request, the case should be routed to the designee for approval.

Requests Involving Multiple Responsible Areas

For those cases where ~~the area responsible for the error or delay is not supervised by the above designees, AIS will make the decision to grant or deny relief and notify the taxpayer by letter. AIS will attach a~~ **there is more than one responsible area involved, AIS will function as the responsible area tasked with compiling all available information from the respective responsible areas. AIS will reach out to these areas and ask that they provide a summary of the facts of the situation for which relief is being requested and their recommendation. The responsibility of AIS in these instances is to review the completed staff work of the areas recommending the approval or denial of the ROI request for policy consistency and issuing the response to the taxpayer.**

If the request is for $15,000 or less, AIS will review all available information from the respective responsible areas to provide a single recommendation on whether interest should be granted, partially granted, or denied. AIS will notify the taxpayer of their decision in writing.

If the request is greater than $15,000, AIS will compile all available information provided by the respective responsible areas and draft an Executive Summary for Action for the PPDD Deputy Director's review and final decision.

A copy of the **decision** letter ~~to the~~ **and the Executive Summary for Action (if applicable) will also be added to the ROI** relief ~~request case and notify the processing area to~~**case by AIS with a case note regarding the decision. A copy of the decision letter and Executive Summary for Action (if applicable) will also be provided to the respective responsible areas and processing areas to update the system,** process any required adjustments~~, if any,~~ and finalize the **relief** case.

~~**Requests for Relief of Interest – Unbilled Audit Liabilities**~~**Requests Involving Unbilled Liabilities or Active Appeals**

Open relief request cases will prevent bill staging for an unbilled ~~audit~~ liability. If a relief case exists prior to the ~~audit~~ **liability** being billed, field team members must notify the processing area and request that processing of the relief case be expedited or the relief case to be temporarily rejected to allow the audit to be billed and a Notice of Determination (NOD) to be issued.

When a field office receives a paper relief request for an unbilled ~~audit~~**liability**, the office must wait until the NOD is issued before emailing the relief request and its recommendation to the appropriate processing ~~unit.~~**area.**

When ROI requests are received for a liability with an active appeal the responsible area should work with the team member handling the appeal to determine whether the case should be transferred to the Appeals Bureau.

Requests for Reconsideration

Pursuant to Appeals Regulation 35054, taxpayers may request reconsideration by the PPDD Deputy Director for a denied ROI request, in whole or in part, within 30 days of the date of the letter informing them of the responsible area's decision. If the taxpayer does not submit a timely request, the responsible area's findings become final. Timely requests should be routed to AIS with a copy of the responsible area's recommendation for review. AIS will compile the information and submit it to the Deputy Director's office, who will review, finalize, and issue the letter notifying the taxpayer of their decision in writing, and copy the processing and responsible areas to finalize the case in the system.

If the Deputy Director's decision is to deny the requested relief, in whole or in part, the taxpayer may appeal the Deputy Director's decision by mailing a request for an appeals conference to the responsible area within 30 days from the date of the Deputy Director's letter. The letter will also explain that a request for an appeals conference may be granted or denied. If the taxpayer does not submit a timely written request for an appeals conference, the Deputy Director's decision becomes final.

If the taxpayer requests an appeals conference, the Petitions Section or Appeals and Data Analysis Branch will notify the taxpayer whether an appeals conference is granted or denied. If the request for an appeals conference is granted, the request for relief will be forwarded to the Appeals Bureau to schedule an appeals conference. If the request for an appeals conference is denied, the Deputy Director's decision becomes final.

ESTIMATED RETURNS - GENERAL~~COMPLIANCE ASSESSMENT PROCEDURE~~

540.170

General Policy

All permit **or license** holders are required to file and pay ~~timely~~ tax returns **timely**. **Team members**~~Staff~~ should make every effort to obtain the tax return**s** on a voluntary basis. If the~~ tax~~ return is not filed within a reasonable amount of time, the office responsible for the account should consider whether it is appropriate to issue a deficiency determination by **creating an estimated return**.[1]~~use of the Compliance Assessment (CAS) procedure~~

When an estimated return is created, the system automatically clears the delinquency and issues a deficiency determination of estimated amounts due for that period. The estimated return~~The CAS~~ procedure is also used to issue a **deficiency** determination on certain sales of fixtures and equipment when an account is closed out**, and for use tax when determined to be due. Under most circumstances, an estimated return will be generated automatically by the system (see CPMG for additional information).**~~.~~

Instructions for issuing an estimated return can be found in the system's Help Manager by searching Add an Estimated Return.

~~**General Procedure**~~

~~In IRIS, the CAS procedure satisfies a Financial Obligation (FO) by filling it with Revenue. The FO types used in this procedure are Periodic (PER), which is generally set up when a return is mailed to a registered taxpayer, or One-Time (OTM), which is set up for obligations falling outside a regular reporting period. When a CAS is prepared for a periodic FO, IRIS automatically clears the delinquency for that FO.~~

~~A CAS may be prepared for a single period or for multiple periods. The Derive Estimated Revenue screen is used when a return is not filed. The Derive Estimated Revenue — F&E Assessment screen is used when fixtures & equipment are not reported on a filed return and payment in full has been received.~~

Authority

~~The authority for preparing a CAS for a deficiency determination is RTC section 6481 — Deficiency Determination. The time in which to prepare a deficiency determination is generally covered in RTC section 6487 — Limitations; Deficiency Determinations. The authority for issuing a deficiency determination on an unfiled return is RTC section 6511.~~ **Below is a chart of the RTC sections that provide the authority for issuing a deficiency determination in the instances that a return is filed or an estimate determination when no return is filed. Also included is the applicable statute of limitations (SOL) sections.**

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[1] Previously referred to as a Compliance Assessment or CAS, an estimated return is not a return as the term is used in Chapter 5, Article 1 of the RTC and equivalent special taxes and fees sections, instead, it is a Department assessed estimated liability.

Program	Deficiency Determination/ Return Filed	Estimate Determination/ No Return Filed	SOL
Sales and Use Tax	6481	6511	6487
Alcoholic Beverage Tax	32271	32291	32272
Cigarette and Tobacco Products Tax	30201	30221	30207
Diesel Fuel Tax	60310	60301	60315
Emergency Telephone Users Surcharge	41070	41080	41076
Energy Resources Surcharge	40071	40081	40077
Fee Collections Procedures Law	55061	55061	55062
Hazardous Substances Tax	43201/43201.01	43201/43201.01	43202
Integrated Waste Management Fee	45201	45201	45202
Motor Vehicle Fuel	7670	7660	7675
Oil Spill Response, Prevention, and Administration Fees	46201	46251	46203
Tax on Insurers	12421	12423	12432
Underground Storage Tax Maintenance Fee	50113	50113	50113.1
Use Fuel Tax	8776	8801	8782

International Fuel Tax Agreement (IFTA) Carrier Tax Accounts and Diesel Fuel Interstate User Accounts

IFTA Carrier Tax Accounts

Estimated returns for IFTA Carrier Tax accounts are automatically posted after the account has been revoked for failure to file. The estimated amount will not be included in the fund transmittal to the IFTA Inc. Clearinghouse unless the estimated amount is paid in full, or team members manually check the Estimate Final checkbox in the system on the IFTA Carrier Tax return springboard (this can only be done by Motor Carrier Office (MCO) team members).[1]

Note: The system will only issue two consecutive automated estimates. Team members will then need to review the IFTA Carrier Tax account delinquencies to determine if manually issued estimates are warranted.

[1] **IFTA Articles of Agreement, Article XII, R1210 Assessment**

Diesel Fuel Interstate User Accounts

For Diesel Fuel Interstate User accounts, estimated returns are not automatically calculated because they are based on the total due reported by the taxpayer. Team members need to manually create the assessment.

~~**Process for Unfiled Returns**~~

~~The CAS process calculates estimated revenue for unfiled returns from one or more periods by averaging prior returns filed for the account. The average tax measure used to estimate revenue can be increased or decreased by a specified percentage. This process provides the ability to override the average tax measure amount calculated and input of a specific tax measure on which the estimated revenue will be based. In addition, staff can input the amount of any sales of fixtures & equipment to be included in the tax measure.~~

~~The CAS process is also used to derive schedules for a single period or for multiple periods for a Taxable Activity based on selected periods. The schedules that can be derived are schedules A, B, C, E and F. This process may be used for creating local tax allocations and for compliance assessments. Deriving schedules is for headquarters use only.~~

~~The CAS function is not available for Consumer Use Tax accounts or SG accounts.~~

Process for Use Tax Liabilities

Requests for investigations on out-of-state purchases with delivery in California are researched by **team members** ~~staff~~ to determine whether the taxpayer has voluntarily reported and paid the use tax. ~~While investigating the requests, staff may encounter situations where the taxpayer states they have not reported or paid the use tax but intend to report and pay the tax on their income tax return with the Franchise Tax Board (FTB).~~

Persons purchasing tangible personal property from out-of-state vendors may report and pay use tax directly to ~~the CDTFA using online registration~~ **CDTFA through Online Services**. Certain taxpayers also have the option of reporting purchases subject to use tax on ~~the~~**their** income tax return filed with the **Franchise Tax Board (**FTB**)**. However, if they are required to hold a California seller's permit or **are** otherwise required to be registered with ~~the~~ CDTFA, the use tax must be reported and paid on the sales and use tax return **for**~~in~~ the applicable period.[1] More information about how to file a return is provided on the California Use Tax Information page on ~~the~~ CDTFA's website.

If the taxpayer is not required to hold a California seller's permit or otherwise register with ~~the~~ CDTFA and intends to pay the use tax on their income tax return, compliance **team members**~~staff~~ will retain the request ~~for investigation~~**to investigate** documents (e.g., bill of lading, invoice, place of delivery) and verify that the use tax was reported to either ~~the~~ CDTFA or to ~~the~~ FTB after the income tax return has been filed and processed by ~~the~~ FTB.

The **following information identifies** ~~Use Tax Due Dates shown on the following table identify~~ the due date for use tax in various circumstances. ~~Please~~**(please** be aware that

[1] **RTC section 6452.1**

FTB provides an automatic six month filing extension for individuals and an automatic seven month filing extension for corporations and exempt organizations):

Persons NOT Required to Hold Seller's Permits, Certificate of Registration-Use Tax, or Register for Consumer Use Tax Accounts	Tax Reported On	Total Amount of Purchases	Due Date	Notes
	FTB Tax Return	Any amount	Due on or before the same date as the person's FTB return (RTC § 6452.1).	Use tax must be reported on the FTB tax return corresponding to the year in which the use tax liability was incurred.
	Individual Use Tax Return (IUTR) (CDTFA-401-DS)	Any amount	Prior to January 1, 2009, an IUTR was accepted as timely for the period in which it was filed and paid. However, beginning with returns filed for 2009 and any IUTR for a prior period received on or after January 1, 2009, IUTRs are on a calendar year basis and due on January 31st of the year following the year in which a taxable purchase is made.	The IUTR was modified in March 2009 to require that taxpayers report taxable purchases on a calendar yearly basis and that returns are due January 31st of the year following the year in which taxable purchases are made.
Qualified Purchaser	File a Return with CDTFA Online	Any amount	The return is due on a calendar yearly basis and is due on April 15th of the year following the year in which a taxable purchase is made.	Purchases subject to use tax must be reported on the return for the reporting period in which the taxable purchase is made.

Persons Required to Hold Seller's Permits, Certificate of Registration-Use Tax, or Register for Consumer Use Tax Accounts	Sales and Use Tax or Consumer Use Tax Return	Any amount	Due on or before the due date of the return.	Purchases subject to use tax must be reported on the return for the reporting period in which the taxable purchase is made.

Persons NOT required to hold a Seller's Permit, Certificate of Registration-Use Tax, or register for a Use Tax Account:

- **Use tax must be reported on the FTB tax return corresponding to the year in which the use tax liability was incurred, or**
- **Use tax may be reported and paid directly to CDTFA using Online Services. The use tax is due by April 15 the year after the taxable purchase was made for which California tax was not charged.[1]**

Qualified Purchaser:

- **Use tax must be reported and paid directly to CDTFA no later than April 15 for taxable purchases made during the previous calendar year.[2]**

Persons required to hold a Seller's Permit, Certificate of Registration-Use Tax, or register for a Use Tax Account:

- **Purchases subject to use tax must be reported and paid to CDTFA on the return for the reporting period in which the taxable purchase is made.**

Verification of use tax reported and paid on FTB income tax returns may be obtained by **viewing the Data Warehouse. The FTB Use Tax reporting information is listed under FTB Personal Income Tax Returns for individuals or FTB Business Tax Returns for Corporations and LLCs. Only if the information is not available in the Data Warehouse should team members submit**~~submitting~~ a request for FTB information using the External Access Tracking **(EAT)** program. The information must be **only** accessed~~ only~~ by authorized **team member(s)**~~resource person(s)~~ within the requestor's office**,** ~~/~~section**, or** ~~/~~area of responsibility.

An estimated return~~IRIS must also be checked to determine if additional information regarding a person's use tax payment exists under an existing arbitrary account.~~

~~A CAS~~ should be created for cases that remain unresolved due to the taxpayer not reporting the use tax to~~ the CDTFA online~~ **CDTFA** or on their FTB income tax return.

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[1] RTC section 18566, and Regulation 1685.5
[2] RTC section 6225

The procedures for creating **an estimated return**~~a CAS~~ for use tax **deficiency determinations**~~assessments~~ are as follows:

1. Tax Liability of $5,000 or less

   An estimated return~~A compliance assessment~~ should be created when the use tax liability is $5,000 or less.

2. Tax Liability of more than $5,000

   If the tax liability is more than $5,000, refer the case to the ~~audit staff~~**Audit Principal of the Office of Control (OOC)** with copies of all supporting ~~documents~~**documentation** for further investigation and the preparation of a field billing order (FBO). **Enter notes in the system**~~Comments~~ regarding the transfer of the case to audit ~~will be entered in the TAR subsystem in IRIS~~.

3. Approval

   The supervisor approving the **estimated return**~~CAS~~ is responsible for ensuring that the thresholds outlined above are followed, the proper documentation retained**,** and the appropriate **notes**~~comments~~ have been entered in the ~~TAR subsystem~~**system**.

4. Appeals

   Estimated Returns~~Compliance assessments~~ that are **appealed**~~petitioned~~ will be referred to the Compliance Principal **of the office that created the estimate**. **For more information regarding appeals, see publication 17, *Appeals Procedures*.** ~~Petitioned FBOs will be referred to the Audit Principal for coordination and handling within timeframes and guidelines from the Petitions Section.~~

5. Record Retention

   ~~The office responsible for the account must send supporting documentation to the Taxpayer Records Unit using Documentum procedures on myCDTFA. Documents should be retained for three years.~~**Supporting documentation should be uploaded to the system as attachment(s).**

Accounts in Legal Status

When an account is in legal status because of bankruptcy, assignments, receivership, or probate, the **corresponding indicator will be shown on the Customer springboard**~~"Legal Status" field on the Difference screens must be filled in~~. This will alert **team members**~~headquarters~~ that the account should be given special attention. If the account should be in legal status but it is not displayed, the legal information must be **entered in the system before creating an estimated return**~~input using the Legal Claim Case screen~~.

If the taxpayer files for bankruptcy on a date that falls within a reporting period, the return period must be split into pre-petition and post-petition periods. The team member modifies the return period from the Account springboard on the Financial tab, Period subtab, and then selects the Period Maintenance button. Instructions for modifying a filing period can be found on the Collections Cheat Sheet and Guidance page on CDTFA's intranet site under the heading Splitting a Filing Period.

Important: If you manually create an estimated return for an account in bankruptcy, you must have a supervisor stage the bill item to *Queue Notice of Determination* immediately after approving the estimate so that the Notice of Proposed Liability will not be mailed. The language in the *Notice of Proposed Liability* may violate the automatic stay. See CPPM section 740.040 for information on the automatic stay.[1]

~~If split returns are required, the Periodic FO must first be split and then filled with Revenue, that is, a return, CAS or audit. If a CAS is required for an FO that needs to be split, go to the Split Financial Obligation screen and split the FO before preparing the CAS. See CPPM sections 510.200 and 740.070 for information about splitting an FO.~~

Penalty and Interest

A failure to file penalty is automatically added to **an estimated return**~~a CAS~~.

Team members may need to review whether credit was given for prepayments prior to the penalty being assessed and make any necessary adjustments. If a Notice of Determination is issued and becomes final, a finality penalty will also be assessed automatically.[2]

Additional~~Billings for~~ penalties under RTC section 6073 (swap meet operators), section 6074 (catering trucks), and section 6077 (florists) **may also be added if appropriate**~~will be issued by the Audit Determination and Refund Section (ADRS). The office responsible for the account will provide the information required to substantiate these penalties directly to ADRS~~. **These penalties will be added by the collector. The collector should enter a note in the system to substantiate adding these penalties and notify their supervisor of their recommendation to add the applicable penalty. If the supervisor agrees with the collector's recommendation to add the penalty, they will enter an approval note in the system. Once approved the collector will add the applicable penalty. Instructions for adding these penalties can be found on the Collections Cheat Sheets and Guidance page on CDTFA's intranet site under the heading Adding Penalties Under RTC 6073, 6074, and 6077.** Interest is automatically calculated by ~~IRIS~~ **the system** based on the amount of tax **or fee,** and due dates.

~~**Notice**~~

~~The billing statement (Notice) will be generated only after the CAS is approved by ADRS. Field offices will not be able to create a Notice.~~

~~**Consolidated Accounts**~~

~~The CAS process is also used for consolidated accounts. IRIS will generally compute the district tax based on the selected prior returns. Staff must verify the allocation of district tax on all assessments, since in certain situations the district tax may not have been properly allocated or created by IRIS. Situations that would prevent IRIS from creating correct district tax include:~~

- ~~Single location accounts that report sales in more than one district.~~

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[1] USC 362
[2] RTC sections 6511, 6471 and 6565

- ~~Multiple location accounts that operate in more than one district, but the assessment is not based on prior returns.~~
- ~~Multiple location accounts that operate in more than one district, the assessment is based on prior returns, but the sub-locations have changed during the assessment period.~~

~~Allocations of district tax can be reviewed using the system's Maintain/Inquire menu.~~

Security, Payments, and Credits

When security, payments**,** or credits are applied ~~to a CAS, staff should enter a note in the justification field or in the Revenue comments field~~**by a team member to an estimated return, a note should be entered in the system**. **The note should include**~~Information that should be entered includes~~ the payment amount, effective date**,** and any other applicable **information**~~ comment~~. These payments/credits will not necessarily be automatically applied. However, **the system**~~IRIS~~ will automatically adjust any penalties and recalculate interest when the payments/credits are applied.

Fixtures and Equipment

~~Normally, an assessment for sales of fixtures and equipment that have not been reported by a taxpayer on a regular return will be included in a CAS when staff creates a Revenue entry on the Derive Estimated Revenue screen. However, when payment has been received that will fully satisfy the liability for the asset sale, staff should use the Derive Estimated Revenue F&E Assessment screen to create the CAS. The Derive Estimated Revenue — Fixtures and Equipment screen is used to derive Revenue for a single period based upon a specified Fixture & Equipment (F&E) amount. This process will accept the F & E amount and derive the return by "backing into" the taxable measure using the F & E amount. A One Time (OTM) Financial Obligation without Revenue must exist. Do not use a Periodic FO for this process. Note that this process is only used to create a Revenue entry for fixtures and equipment when no penalty is to be assessed and full payment has been received. Upon completion of a CAS for F&E, IRIS's Assignment Control automatically routes the CAS to the CAS reviewer in the office of control. The reviewer is responsible for reviewing and approving the CAS.~~

If a taxpayer fails to file their final return, the sale of fixtures and equipment (F&E), should be included on the estimated return for the final return period. If an estimated return was created for the final return period that did not include the sale of F&E, the estimated return must be canceled and recreated (if within the statute of limitations to do so) to include the sale of F&E. Only self-assessed returns can be adjusted by Return Analysis Section (RAS) to add the sale of F&E.[1]

Manual Estimated Return Procedure

Before taking any action on a delinquent period, including creating an estimated return, ensure the following:

- **Attempts have been made to have the taxpayer file voluntarily.**
- **The business was open and operating during the delinquent period in question.**

[1] Regulation 1596

- **Check status of account.**
- **Read prior notes, including related accounts.**
- **Call available phone numbers for the taxpayer, landlord, and references.**
- **Review warehouse data to verify the status of other licenses (SOS, ABC, DMV), determine if credit card payments were reported in FTB 1099-K, and if Cost of Goods Sold (COGS) were reported in Federal Income Tax Returns.**
- **Skip trace (Yelp, business website, Facebook, etc.).**
- **Confirm the delinquent period is not included in an active audit (if you locate an active audit, you must contact the assigned auditor before proceeding).**

ADJUSTMENT AND CANCELLATION OF ESTIMATED RETURNS ~~COMPLIANCE ASSESSMENTS~~ 540.175

After ~~a compliance assessment (CAS) is created, staff~~ **an estimate is issued, team members** may determine that it needs to be adjusted or cancelled.[1] However, **an estimated**~~a CAS for failure to file a~~ return may not be adjusted based on a new estimate. The goal of any ~~CAS~~ adjustment is to reflect the correct amount of tax due. If a return is filed after the **estimate** ~~CAS~~ is issued, **team members**~~staff~~ must determine whether an adjustment is necessary depending on the facts and circumstances of the taxpayer's operations and information available to ~~the~~ CDTFA. In the absence of an acceptable return filing, the **estimated return**~~CAS~~ may only be adjusted based on an audit, ~~Field Billing Order~~ **field billing order (FBO),** or comparable review of the taxpayer's records.

There is no statute of limitations for accepting taxpayer ~~-~~returns or documentation to support **an adjustment to the estimated return**~~a Compliance Assessment Adjustment (CAS ADJ)~~. However, refunds of any overpayments must be requested within the applicable statute of limitations specified by ~~Revenue and Taxation Code (RTC)~~ **RTC** section 6902 and similar ~~Special Taxes and Fees~~**special taxes and fees** statutes. **Returns submitted for an estimate that was paid in full and the refund was not requested within the applicable statute of limitations may or may not be processed.**

~~Since the issuance of a CAS will create a financial obligation for the period of liability and will clear the delinquency in IRIS, the taxpayer cannot file the return for that period online. The procedures in this section outline staff responsibilities when a paper return is filed to adjust the CAS.~~

Collection Team Members~~Field Operations Collection Staff (Sales and Use Tax Accounts)~~

When a ~~tax~~ return is received for a period where **an estimated return**~~a CAS~~ has been billed, the collector is responsible for determining if the **return should be accepted or rejected**~~ CAS should be adjusted to the amount reported on the return~~. ~~The determination to adjust the CAS will be based on the type of business, supporting documentation, prior returns, or any other evidence available to the CDTFA. Supervisors~~

[1] **RTC section 6981**

~~must approve any adjustments and enter comments in IRIS on the REV RE screen for each Financial Obligation (FO). The return~~ **All paper returns** should be forwarded to the Cashier Section **at TRB-InterofficeReturns@cdtfa.ca.gov for processing**~~with "CAS ADJ" written on the top of the front page of the return~~. ~~Subsequent returns filed for the same period to correct any discrepancies will also be marked as CAS ADJ returns and not amended returns~~. A copy of the return should not be forwarded to **Return Analysis Section (RAS)**~~RAU~~ or Petitions, and all issues concerning evident tax shortages or computation errors should be addressed before forwarding the returns to the Cashier Section for processing.

If the evidence available suggests that the **return should be rejected,**~~CAS should not be adjusted to the amounts shown on the return,~~ the **paper** return should still be forwarded to the Cashier Section for processing. Comments should be entered in **the system**~~IRIS~~ explaining why the **return was rejected**~~CAS should not be adjusted~~. The taxpayer should be contacted and given the opportunity to revise the return or provide substantiation for the figures submitted.

Once the return is available in the system on the Return tab, the collector may notify the appropriate office through the procedures mentioned below whether the return should be accepted or rejected.

Changing the start or cease date of an account will not cause a billed estimate to automatically adjust. After the start or cease date is updated by the collector in the system and the collector determines an adjustment is warranted, the collector enters notes to justify the adjustment. The collector's supervisor enters approval notes documenting their agreement with the updated start or cease date. The note should also indicate the approved estimated tax amount, and the computation based upon the updated number of days in operation. Once a note of approval is entered by the supervisor, the collector must send an email to the Petitions Section at PetitionsSection@cdtfa.ca.gov for the processing of the adjustment.

~~Once a CAS adjustment is initiated, an assignment is created for the approver in the IRIS Assignment Control (ASC) subsystem. The authority to approve CAS adjustments generally resides at the Business Taxes Administrator I level or higher. If the Administrator or Compliance Principal temporarily authorizes a Business Taxes Compliance Specialist or Business Taxes Specialist I to approve CAS adjustment assignments, an advanced written notification of the delegation and its expected duration must be submitted to the Petitions Section. The Petitions Section will ensure the CAS has been approved by a valid approver before processing the assignment.~~

~~Changing the start or close out date of an account will not cause a billed CAS to automatically adjust. After the start or close out date is updated in IRIS and staff determines an adjustment is warranted, an assignment should be created in the IRIS Assignment Control, approved by the supervisor, and routed to the Petitions Section for processing. Assignment task notes should be updated if there is a change to the start or close out date. Notes regarding the basis for the change and the applicable period and method used to establish the measure of tax should be entered on the REV RE screen and in the assignment task notes.~~

~~CAS adjustments exceeding~~**Estimated return adjustments more than** $50,000 require Deputy Director approval, and must be **made** available as a public record for at least 10 days **after**~~prior to~~ its effective date **(see CPPM 535.019)**. **The processing area is required to add an explanation in the public record case attributes. Notes entered must thoroughly document support for the adjustment. If the adjustment results in an overpayment, the taxpayer should be advised to file a claim for refund.** ~~A report should be sent to the Petitions Section listing the steps taken to confirm the accuracy of returns filed or other basis for adjustment. A claim for refund should accompany the report if an overpayment results from an adjustment.~~ A timely claim for refund is required for all overpayments.[1]

Actions Possible Before Estimate Approved (Not Billed)

If the estimated return has not been billed (NOD has not yet been issued), the collector can request that the supervisor reverse (back out) or edit the estimated return. For example, if there is an error due to an incorrect figure, miscalculation, transposed numbers, etc., collectors can notify their supervisor for the estimated return to be reversed or corrected. Supervisors can then access the *Supervisor Estimate Approval* work item in their work list to continue with the request.

Instructions for Adjusting/Canceling an Estimate – No Return Filed (Billed)

If an estimate has been billed (NOD has been issued), a taxpayer's return has not been filed, and the estimate needs to be cancelled, the supervisor must enter comments approving the cancellation and must send an email to Petitions Section at PetitionsSection@cdtfa.ca.gov to process the estimate cancellation.

Self-Assessed Return Filed Prior to Estimate Billing

If the taxpayer files a self-assessed return before the estimated return has been billed (NOD has not yet been issued), the taxpayer's return takes precedence over the estimate. If the taxpayer's return does not auto accept, refer the return to RAS for processing by creating a *RAS Maintenance - General Request* work item in the system. The collector should not reverse the estimated return.

The only exception will be IFTA/MCO accounts. (See the system's Help Manager for further guidance on how to proceed with these accounts).

Self-Assessed Filed After Estimated Billing Issued

If a return is filed after the estimated billing was created and/or billed, the system will reverse the estimate and automatically accept the return when all the following conditions are met:

- **The Notice of Determination (NOD) for the estimated return period was issued within the last 12 months,**
- **The bill item is not included in a lien, and**
- **The total amount of the estimated return is less than $50,000.**

When the requirements are not met for auto acceptance, the return will suspend, and the system will create an *Estimate Exists* work item for a collector to review

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[1] **RTC sections 6981, and 6902**

and determine if the return should be accepted over the estimate. If a return is filed and automatically adjusted while there is an open Appeals case, a work item is generated and assigned to the owner of the Appeals case.

Self-Assessed Filed After Estimate is Billed – Review for Acceptance

If the taxpayer files a self-assessed return after the estimate has been billed (NOD has been issued regardless of whether the NOD is final or not), the collector and supervisor are no longer authorized to make any changes to the estimated return. The collector will receive an *Estimate Exists* work item prompting them to review the self-assessed return and determine if the return should be accepted over the estimate.

Estimate Exists for Sales and Use Tax Returns

If the taxpayer files a return with an effective date prior to the NOD Notice of Service Date, the taxpayer's return takes precedence and will be accepted by RAS without approval from a supervisor. If the taxpayer files a return after the NOD Notice of Service Date reporting more tax than the estimate, the self-assessed return will be applied by RAS without approval from a supervisor. If the taxpayer files a return after the NOD Notice of Service Date reporting less tax than the estimate, the collector will determine whether the self-assessed return should be accepted in place of the estimated return.

Once the collector makes the determination to accept or deny the self-assessed return, they will enter a detailed note on the Account springboard. The note should include the specific period, effective date of the return, and the taxable measure (line 12 of the return). The collector should also specify in the note if they intend to accept or deny the self-assessed return. If the collector makes the determination to accept the reported figures that are lower than the estimated billing, a note of approval by a supervisor is also required on the Account springboard. Once a note of approval is entered by the supervisor (if one was required), the collector must send an email to the Petitions Section at PetitionsSection@cdtfa.ca.gov requesting the self-assessed return be accepted in place of the estimated return. The email must include:

- **Account type,**
- **Account number,**
- **Specific period,**
- **Effective date, and**
- **Taxable measure (line 12 of the return).**

Returns that are rejected or report more tax than the estimated tax, do not require approval by a supervisor. The collector should create a *RAS Maintenance - General Request* work item in the system requesting the self-assessed return be rejected or accepted in place of the estimate. The request should include the same information above.

Refunds Section

The Refunds Section is responsible for processing adjustments to an estimate pursuant to a stand-alone claim for refund. The collector must submit their

recommended adjustment to the Refunds Section at PPDD-RefundSection@cdtfa.ca.gov or to the owner of the refund case.

Estimate Exists for Special Tax and Fee Returns

Once the collector makes the determination to accept the self-assessed return or deny it, the collector will enter a detailed note on the Account springboard. The note should state that a self-assessed return was received and based on the collector's review, they are accepting it over the estimate or denying it. The collector will create an *STF Action Request* work item on the Account springboard to the Return Processing Section. The work item should include:

- **Taxpayer's name and account number,**
- **Whether the self-assessed return(s) are accepted or denied,**
- **Period(s),**
- **Received date of the self-assessed return, and**
- **Date the estimate was billed.**

Estimate Exists for IFTA/MCO Account

If the MCO collector receives an *Estimate Exists* work item for an IFTA/MCO account, they will review the self-assessed return and determine if they are accepting the self-assessed return over the estimate or denying it. Once the collector makes the determination to accept or deny the self-assessed return, they will enter a detailed note in the Collection case indicating their review. The note should state that a self-assessed return was received and based on the collector's review, they are either accepting the return to adjust the estimate or they are not.

Afterwards, if the self-assessed return is accepted, the MCO collector will create a *Generic Compliance* work item and send it to the MCO Return Review team member requesting the estimated return to be reversed. Once the request is completed, the MCO Return Review Team will advise the MCO collector that the request was completed.

If the collector is not accepting the self-assessed return, a work item does not need to be sent to the MCO Return Review Team. To process the denial in the system the following steps are taken by the collector: they select the info only link and then select reason Data Entry Error. In addition, they add a note as to why they are not accepting the self-assessed return.

If a non-MCO collector receives an *Estimate Exists* work item for an IFTA/MCO account, they will send a bookmark to the MCO Principal Compliance Supervisor requesting review of the returns. Once the request is completed, MCO will reply to the bookmark advising the collector that the request was completed.

~~**Return Analysis Unit (RAU) Staff**~~

~~When RAU receives a tax return for a period that was included in a billed CAS for failure to file a return, the following procedures should be followed:~~

- ~~When the return is received with an effective file date (e.g., postmark) prior to the CAS~~
  a. ~~The return takes precedence. When the return is loaded into IRIS, the CAS will automatically be cancelled and the return will replace the CAS in the primary FO in IRIS. The edit on the return will be "CAS Canc" and RAU handles the return.~~

b. If the CAS does not cancel automatically, RAU handles the adjustment. The CAS may not auto cancel when there has been an accepted Declaration of Timely Mailing (CDTFA-135-A), the return posted incorrectly to the wrong period or account, or when the return was originally received with no account number or period and was posted as unidentified.

- When the return received has an effective file date after the CAS

a. A return sent directly to RAU in reply to the CAS determination which has not been processed in IRIS as a Pending Taxpayers Original (PTO) should be forwarded to the Cashier Section for processing. "CAS ADJ" should be written on the top of the return to ensure the Cashier Section processes the return as a PTO and not an amended return.

- When the return received is for more tax than the CAS

a. After the return is processed by the Cashier Section, it is worked by RAU. Approval from the office/section that initiated the CAS is not needed.

b. The return will have either the CAS + ADJ or CAS + PTO edit on it. The CAS + ADJ edit is triggered when the return loads onto IRIS and the system automatically adjusts the CAS in the primary FO. The adjustment will appear on the REV SV screen. The CAS + PTO will appear on the REV FW screen.

c. If the taxpayer filed a timely petition for redetermination of the CAS determination, RAU will create an assignment for the Petitions Section to adjust the CAS to the level of the return. The increase to the petitioned determination must be made in accordance with RTC section 6563.

d. If the CAS determination is final, the resulting increase will be billed by RAU.

e. If the return contains computational errors, RAU will send a letter to the taxpayer and issue a determination if appropriate.

Petitions Section Staff

Other than assignments received by RAU for processing of returns filed by the taxpayer, the Petitions Section will only accept CAS adjustment assignments that have been reassigned in the IRIS Assignment Control by an authorized approver for the following conditions:

- A tax return is not required to be filed due to the business closing out prior to the CAS period, and a cancellation of the CAS is needed,
- A change in the start date which requires the cancellation of a CAS,
- A change in the start or end date requires an adjustment to the CAS based on the updated number of days included in the CAS period, or
- The CAS is for fixtures and equipment (F&E) only and staff's investigation has revealed cancellation or an adjustment to the CAS is warranted.

Petitions Section staff review CAS adjustment assignments for the following:

- Creation of an assignment by RAU, any return edit notes, and comments entered when returns are filed,
- Responsible office recommendation,
- Ongoing audits,
- Statute of Limitation,

- ~~Existing appeals or claims for refund,~~
- ~~Adjustments requiring Deputy Director approval and Public Record posting,~~
- ~~Penalty relief requests,~~
- ~~The impact on and adjustments to successors and dual determinations, and~~
- ~~Duplicate return filings for different amounts.~~

~~Audit Determination and Refund Section (ADRS) Staff~~

~~ADRS staff is responsible for processing adjustments to all paid in full, final determinations except for relief of penalty requests which are processed by the Petitions Section. CAS adjustment assignments are reviewed in the same manner as those processed by the Petitions Section.~~

~~Staff Responsible for Special Taxes and Fees (STF) Accounts~~

~~The procedures for STF accounts are the same as for Sales and Use Tax accounts except as noted below.~~

~~It is the function of STF compliance staff to determine whether the amounts reported on returns filed after a CAS are acceptable. Each situation should be evaluated on a case by case basis. Depending on the nature of the tax or fee program, the information should be based on other returns filed on the account, industry averages, information from other state agencies, and information available from related Sales and Use Tax accounts, if applicable. It is the responsibility of the Business Taxes Administrator I (or their designee) to approve CAS adjustments.~~

~~There is equivalent internal staff for STF accounts that perform the tasks that field compliance, RAU, and Petitions staff perform for sales and use tax accounts. The functions dedicated to the RAU and Petitions Section apply to the equivalent staff for STF accounts. As with sales and use tax accounts, adjustments exceeding $50,000 must be posted to the Public Record. The Compliance Principal should forward a written report to the Audit Section staff responsible for handling petitions for STF accounts. The report should list the steps taken to confirm the accuracy of the returns filed or the basis for the adjustment.~~

ADJUSTING BILLINGS ISSUED BY THE RETURN ANALYSIS SECTION~~UNIT~~

540.180

As a result of its review of sales and use tax returns filed by taxpayers, ~~the Return Analysis Unit (RAU)~~**RAS** may issue a nonfinal, final, or determination billing to a taxpayer.

Reasons for nonfinal and final billings include:

- Dishonored Checks (DC).
- No remittance (NR) or partial remittance (PR) returns.
- ~~Underpaid~~**Failure to make** prepayment**(**s**)**.
- Late payments.
- EFT payments made by check or filed late.
- Late returns.

Reasons for determinations may include:

- Tax shortages.

- Improper deductions.
- Excess tax reimbursement.
- Incomplete schedules A, B, or G.
- Vendor/wholesaler bad debts.
- **Underreported vehicle sales.**

In response to a billing or determination issued by **RAS**~~RAU~~, a taxpayer may provide information documenting that the billing or determination is incorrect and in need of adjustment. Field offices cannot adjust **RAS**~~RAU~~ billings or determinations. Field offices must **request an adjustment to RAS by creating a *RAS Maintenance - General Request* work item in the system. The request must include a reason for the requested adjustment with supporting documentation attached. The supporting documents should also be attached in the system on the Account springboard, CRM tab, Attachments subtab with appropriate notes**~~instead provide a request for adjustment to RAU using a CDTFA-103, Adjustment Request Memorandum. Field offices may not use another form for this purpose~~.

~~Field offices must fill out the form completely and provide a reason for the requested adjustment. Supporting information or documentation must be attached to the form. The originator keeps a file copy and the RAU will place a copy of the request in the taxpayer's headquarters file~~.