



BOARD OF EQUALIZATION

**CUSTOMER SERVICE AND ADMINISTRATIVE  
EFFICIENCY COMMITTEE MEETING MINUTES**HONORABLE BILL LEONARD, COMMITTEE CHAIR  
450 N STREET, SACRAMENTO

APRIL 8, 2008, 9:30 A.M.

---

**ACTION ITEMS & STATUS REPORT ITEMS****Agenda Item No: 1****Title:** Security Deposit Program Status Update**Issue/Topic:**

Update regarding the Board of Equalization's release of security deposits, new criteria for releasing security and taxpayer security release denial letters.

**Committee Discussion:**

Committee Chair Bill Leonard opened the Committee meeting by introducing the agenda items and asked the staff to give an update on the Security Deposit Program.

Ms. Randie Henry, Deputy Director, Sales and Use Tax Department provided an update on the progress for revising and modernizing the security deposit programs since the last update at the March 19, 2008 Board meeting.

Ms. Henry reported that the Sales and Use Tax Department and the Property Taxes Department have made tremendous advancements on releasing security deposits since the issue came to the Board's attention in December 2007. She reported, as of this date, 5,266 accounts worth over \$42 million have been released.

Ms. Henry informed the Board Members that the release of backlogged security deposits has been completed and now the program is focusing on improving current policies and procedures. The goal is to streamline the security deposit application and release process to create a program that is uniform, timely and efficient.

The Security Deposit Work Group's proposed new criteria will allow for a more timely release of security deposits held by the Board of Equalization for three years. The proposed criteria are composed of four easy to program requirements and provide clear direction to Board of Equalization staff to ensure consistency.

1. Security deposits must be held for three years.
2. No current accounts receivables.
3. No current delinquent returns.
4. Accounts must have no more than two instances within the last twelve months of non-compliance with steps two and three.

Ms. Henry informed the Board Members, that unless the Board objects, the Department will implement these changes immediately.

There were no objections by the Board Members.

Ms. Henry then discussed the interim security deposit letter that was suggested in the March 27, 2008 memo to the Board Members. The interim letter was intended to inform the taxpayer the security deposit is not eligible for release under the old criteria. Approximately 7,000 letters were scheduled to be mailed out by the end of April 2008.

Ms. Henry proposed, unless the Board Members objected, to cancel the mailing of the interim letter and redirect resources to implement the new security release criteria a month sooner; July 31, 2008 instead of August 31, 2008. Specific denial letters with the new criteria, rather than the generic interim letters, will be sent out by the end of August 2008.

There were no objections by the Board.

Board Members thanked the Departments for the presentation and asked them to add the following tasks to the Security Deposit Work Group's analysis project:

1. Analyze the data on security deposits made to interest bearing accounts versus cash held by the State Board of Equalization with no interest, and to find creative ways of informing the taxpayer of their options for choosing interest bearing accounts for their security deposits.
2. Analyze the tracking methods to ensure that there is less error in reconciling security deposits with active and inactive taxpayer accounts.
3. Analyze the Cigarette and Tobacco program law and possibly seek consistency of that law with Sales and Use Tax.

Ms. Henry, Deputy Director, Sales and Use Tax Department and Mr. David Gau, Deputy Director, Property and Special Taxes Department agreed to include the suggested tasks to the Security Deposit Work Group's analysis project.

Ms. Henry thanked the Board Members for their suggestions and informed them that she would provide another update on the program at the May 2008 Customer Service and Administrative Efficiency Committee.

Committee Chair Bill Leonard thanked staff for the good work and the program update.

Committee Chair Bill Leonard adjourned the Committee Meeting.

