

# Memorandum

**To** : Ms. Cynthia Bridges  
Executive Director (MIC 73)

**Date:** November 26, 2014

**From** : Mr. Jeffrey L. McGuire, Deputy Director  
Sales and Use Tax Department (MIC 43)



**Subject** : **Board Meeting December 17-18, 2014**  
**Item N: Administrative Agenda**  
**Proposed Revision to Compliance Policy and**  
**Procedures Manual (CPPM) Chapter 7, Collections**

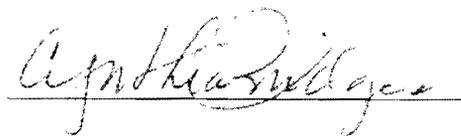
I am requesting approval to forward the attached revision to CPPM Chapter 7, *Collections*, to the Board Proceedings Division to be placed as a consent item on the Administrative Agenda at the December 2014 meeting.

The proposed revision of section 732.100 clarifies the language regarding application of penalty and interest to a successor's liability. This revision has been reviewed and approved by SUTD management, provided to Board Members, and posted on the Board's website at <http://www.boe.ca.gov/sutax/pmr.htm> to solicit comments from interested parties. No comments were received from Board Members or other interested parties.

If you have any questions, please let me know, or contact Ms. Susanne Buehler at 324-1825.

JLM:rs  
Attachment

Approved



Ms. Cynthia Bridges  
Executive Director

**STATE BOARD OF EQUALIZATION**

BOARD APPROVED



At the December 18, 2014 Board Meeting

Joann Richmond  
Joann Richmond, Chief  
Board Proceedings Division

cc: (all with attachment)

Mr. David Gau (MIC 101)

Mr. Wayne Mashihara (MIC 46)

Ms. Susanne Buehler (MIC 92)

Ms. Lynn Bartolo (MIC 57)

Mr. Richard Parrott (MIC 88)

Mr. Kevin Hanks (MIC 49)

Mr. John Thiella (MIC 82)

Mr. Marc Alviso (MIC 101)

Mr. Chris Lee (MIC 101)

Mr. Gary Lambert (MIC 43)

## PENALTY AND INTEREST — SUCCESSOR'S LIABILITY

732.100

The liability incurred by a successor with regard to the purchase of a business or stock of goods includes all amounts incurred by the predecessor, or any former owner, from the operation of the business, including amounts incurred from the sale of the business, even though such amounts may not be determined as of the date of purchase. All tax, interest, and penalties incurred by the predecessor, up to the amount of the purchase price, shall be billed to the successor. Although the successor liability billings are not directly subject to accrual of interest, successors are liable for all the predecessor's tax, penalty, and interest, including interest accrued after the issuance of the notice of successor liability. However, negligence or fraud penalties assessed to the predecessor after the date of purchase will not be due from the successor pursuant to Regulation 1702~~(b)~~(d)(2) unless there is a relationship between the successor and the predecessor. Such penalties may be relieved under certain circumstances. (See RTC section 6814 and Regulation 1702.)

Successors seeking relief from penalty under RTC section 6814(b)(2) ~~will be sent Form BOE-193, Request for Relief from Penalty and/or Interest, not Form BOE-735, Request for Relief from Penalty, since interest does not apply to successor billings and must be manually reversed.~~ should be directed to file an online request for relief from penalty on the BOE website. Staff should encourage taxpayers without internet access to visit a district office or another location with internet access to complete the request. However, if these options are not available, staff should provide a ~~Form BOE-193, Request for Relief from Penalty, which~~ is available in ACMS. This form should be returned ~~The taxpayer will also be instructed to return the completed~~ to the district office that handles the taxpayer's account and not to headquarters. ~~Whenever possible, staff should include a self-addressed envelope to ensure that the form is returned to the proper office.~~

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