State of California

Board of Equalization

Memorandum

To : Ms. Kristine Cazadd
Executive Director

Date: July 27, 2012

From : Jeffrey L. McGuire, Deputy Director
Sales and Use Tax Department

Susanne Buehler for Jeffrey L. McGuire

David J. Gau, Deputy Director
Property and Special Taxes Department

Tom Felth for David J. Gau

Subject : **Board Meeting - August 21-23, 2012**
Item N Administrative Session Consent Agenda
Collection Cost Recovery Fee Calculations

Senate Bill (SB) 858 (Chapter 721, Statutes 2010) requires the Board of Equalization (BOE) to impose a Collection Cost Recovery Fee (CRF) on past due liabilities beginning January 1, 2011. By statute, the amount of the fees imposed must be the same as the collection costs incurred by BOE. At the December 15th, 2011 Board Meeting, the Members directed staff to set the collection cost recovery fee for calendar year 2012 at the same level as 2011 and to provide a new proposal in six months for 2013.

The current CRF rates for calendar year 2012 are shown in Table 1 below.

Table 1 – Stratified Flat-Fee for Calendar Year 2012

Liability Size	Liability Dollar Range	CRF Amount
Small	$250.01 - $2,000.00	$185
Medium	$2,000.01 - $50,000.00	$550
Large	$50,000.01 +	$925

To ensure that the current methodology accurately reflects the actual costs incurred by BOE, the CRF amount must be periodically recalculated. In fiscal year 2010-11, BOE's direct personnel costs identified to collection activities was nearly $31.5 million for both Sales and Use Tax Department (SUTD) and the Property and Special Taxes Department (PSTD). Based upon our recent workload study, we made adjustments to this amount to exclude the time spent on accounts included in an installment payment agreement (IPA), since taxpayers entering IPA's are exempt from the CRF.

Because the costs have increased and the time spent on billed accounts receivable cases has decreased, the CRF amounts for calendar year 2013 must be recalculated. Using the data from fiscal year 2010-11, the proposed CRF rates for calendar year 2013 are shown in Table 2 below.

Table 2 – Proposed Stratified Flat-Fee for Calendar Year 2013

Liability Size	Liability Dollar Range	CRF Amount
Small	$250.01 - $2,000.00	$190
Medium	$2,000.01 - $50,000.00	$570
Large	$50,000.01 +	$950

We request your approval to place the annual recalculation of the CRF amounts as a Consent Item on the Administrative Agenda for the Board Meeting on August 21-23, 2012. Upon approval, the revised CRF amounts would go into effect on January 1, 2013.

If you have any questions regarding this calculation, please contact Ms. Susanne Buehler at 916-324-1825.

Approved: Kristine Cazadd
Kristine Cazadd
Executive Director

JLM:mt

cc: Mr. Stephen Rudd (MIC 46)
Ms. Susanne Buehler (MIC 92)
Mr. Kevin Hanks (MIC 49)
Ms. Joann Richmond (MIC 80)
Ms. Lynn Bartolo (MIC 57)

STATE BOARD OF EQUALIZATION

BOARD APPROVED
At the August 22, 2012 Board Meeting
Joann Richmond
Joann Richmond, Chief
Board Proceedings Division