

Memorandum

To : Ms. Kristine Cazadd
Executive Director

Date: November 1, 2011

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



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



Subject : **Board Meeting - November 15-17, 2011**
Item N Administrative Session Consent Agenda
Proposed Collection Cost Recovery Fee for Calendar Year 2012

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. In the December 15, 2010 Board Meeting, the Members directed staff to use the Stratified Flat-Fee approach in assessing the fee.

The current CRF rates for calendar year 2011 are indicated in Table 1.

Table 1 - Stratified Flat-Fee for Calendar Year 2011

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 the fees assessed by BOE continue to equal the costs incurred, 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 as compared to \$29.7 million in fiscal year 2009-10. This amount is comprised of collection costs incurred by both the Sales and Use Tax Department (SUTD) and the Property and Special Taxes Department (PSTD). In addition, the total number of liabilities not in Installment Payment Agreements (IPAs) being eligible for the fee has decreased from 93,147 in fiscal year 2009-10 to 82,921 in fiscal year 2010-11. Because the costs have increased and the number of accounts eligible for the

fee has decreased, the CRF amounts for calendar year 2012 must be recalculated. The proposed rates are included in the Table 2 below.

Table 2 - Proposed Stratified Flat-Fee for Calendar Year 2012

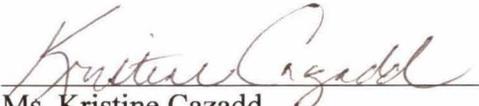
Liability Size	Liability Dollar Range	CRF Amount
Small	\$250.01 - \$2,000.00	\$220
Medium	\$2,000.01 - \$50,000.00	\$660
Large	\$50,000.01 +	\$1,100

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 November 15-17, 2011. Upon approval, the revised CRF amounts would go into effect on January 1, 2012.

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

JLM:djg

Approved:


Ms. Kristine Cazadd
Executive Director

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