

I. Use Tax Business to Consumer

A. Enhancing Voluntary Compliance

1. Education and Outreach

- a) Use records from shipping companies to develop mailing lists for outreach to California purchasers buying merchandise from out-of-state.
- b) Media campaigns for use tax, including advertisement on television, Internet Service Provider websites, and YouTube posts. Material should explain how use tax levels the playing field for California business and encourage California consumers to buy from vendors who collect California use tax.
- c) Ask out-of-state vendors that are not required to hold permits to add a statement on invoices or email confirmations that use tax may be due in California, or send an end of the year email to customers reminding them that use tax may be due.
- d) Use consumer marketing data in a comparative analysis with Income Tax Return Data to identify key demographics for use tax outreach.
- e) Perform a survey and/or conduct focus group sessions to determine appropriate target of media outreach.

B. Addressing Non-Compliance

1. New Compliance

- a) Extend contract with consumer marketing data firm to obtain consumer data on Internet purchases.
- b) Provide purchasers an easy way to report use tax on individual purchases as they are made.
- c) Request social security number or another identifying number on use tax returns.
- d) Ensure FTB is recording and forwarding use tax reported amounts timely.
- e) Work with tax preparation software providers to allow electronic filing of use tax returns along with income tax returns.

2. Legislative/Regulatory Action

- a) Require CPA's, Public Accountants, and tax preparers to complete a specified number of hours of required continuing education in the Sales and Use Tax Law.
- b) Require income tax preparers to explain use tax and ask clients if they have use tax liability when preparing the client's income tax return.
- c) Consider a use tax amnesty program for prior purchases.
- d) Allow the BOE to hold corporate officers/LLC members personally liable for use tax on vehicle, vessel, or aircraft purchases if the Board can prove that property was purchased by a "shell" corporation or LLC, (i.e., the corporation/LLC was created solely for ownership of that specific property).

II. Use Tax Business to Business

A. Enhancing Voluntary Compliance

1. Education and Outreach

- a) Establish a joint effort with cities and counties to promote voluntary use tax.
- b) Create use tax information or registration materials for city and county business license departments to distribute to businesses that do not need seller's permits; ask cities and counties to include this information on their websites.
- c) Make use tax information on BOE website easier to find.

2. Legislative/Regulatory Action

Require local governmental agencies to only purchase from vendors with seller's permits or use tax collection permits.

B. Addressing Non-Compliance

1. New Compliance

- a) Generate audit leads using asset purchase data from completed audits.
- b) Establish reciprocal agreements with other States to obtain data on sales to California consumers.
- c) Provide online registration for Qualified Purchasers.
- d) Look at whether local government and colleges/universities hold permits and are reporting use tax.
- e) Provide a mechanism for Qualified Purchasers to unregister.

2. Legislative/Regulatory Action

- a) Align due dates on use tax returns to match income tax returns, including extensions.
- b) Raise gross receipts thresholds for mandatory use tax registration (Qualified Purchaser).
- c) Change determining factor in Qualified Purchaser registration to number of employees as opposed to gross receipts.
- d) Do not support pending nexus legislation; proposals will cause California affiliate businesses to lose revenue which results in less California income tax reported from those businesses.
- e) Consider giving retailers an incentive, such as a percentage of the use tax paid, for voluntarily directing the customer to the BOE to report use tax.

III. Underreporting

A. Enhancing Voluntary Compliance

1. Education and Outreach

- a) Media campaign reminding taxpayers that communities benefit from tax dollars.
- b) Focus education efforts on specific industries such as restaurants, construction contractors, leasing companies, etc.
- c) Remake the efile video and promote it on the BOE efilng web page.
- d) Simplify the BOE website; use graphics and icons to make payments, installment agreements, settlement, and Offers in Compromise programs more visible.
- e) Translate more of the BOE website into Spanish.
- f) Revise the Construction Contractor pamphlet to clearly explain district use tax liability.
- g) Expand BOE mobile device app capabilities include access to tax rate tables.
- h) Use BOE Twitter account to remind taxpayers of due dates and use tax responsibilities.

2. Legislative/Regulatory Action

Simplify tax rates by limiting the increments for district taxes, eliminating partial tax exemptions, and limiting the entities that can impose taxes.

B. Addressing Non-Compliance

1. New Compliance

- a) Enhance audit selection using data from third-parties such as liquor and beer wholesale suppliers.
- b) Conduct regional staff meetings to discuss compliance and audit approaches with regard to marijuana dispensaries.
- c) Augment audit staff.
- d) Give audit staff authority to approve a settlement when the taxpayer disagrees with the audit results.
- e) Allow more flexibility with installment payment agreements; allow more time to pay liabilities.
- f) Remove the statement that the taxpayer may better off borrowing funds elsewhere from BOE billings.
- g) Establish a levy threshold of at least \$5,000; this would allow businesses to retain sufficient cash to remain viable.

2. Legislative/Regulatory Action

- a) Sell written off accounts receivable.
- b) Provide reprieve program for penalty and interest.

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- c) Participate in the US Government Treasury Offset Program which would allow BOE to intercept Federal tax refunds.
- d) Require vehicle dealers to pay sales tax to DMV when vehicles are registered.
- e) Require prepaid sales tax to be collected on sales of used vehicles at the auctioneer/wholesale level.
- f) Charge a higher rate of interest on outstanding accounts receivable balances.
- g) Streamline collection by making all fees imposed by the BOE subject to the levy provisions imposed under the sales and use tax law.
- h) Make the compliance assessment billing process for the Special Taxes and Fees Division similar to the process for Sales and Use Tax Department account.

C. Accelerating Revenue

1. Allow taxpayers to report more frequently, such as weekly or monthly.
2. Provide a method for retailers to report based on point-of-sale transactions.
3. Expedite the appeals process.
4. Expedite the settlement process.
5. Expand the Settlement Program to include all tax and fee programs.

IV. Nonfilers

A. Enhancing Voluntary Compliance

1. Education and Outreach

- a) Work with state and local government agencies to inform the public about how to report suspected tax evasion.
- b) Work with DMV to add information on change of ownership certificates or other DMV materials advising the buyer how to contact BOE if they suspect the seller is out of compliance.
- c) Automate the process for notifying special event operators, catering houses, and others that have a requirement to report the names of sellers to BOE.

2. Legislative/Regulatory Action

Provide a voluntary disclosure program for sales tax; this would encourage retailers who are required to hold permits, but do not, to voluntarily register.

B. Addressing Non-Compliance

1. New Compliance

- a) Continue to investigate and contact unpermitted California based Internet sellers based on leads received through prior Tax Gap Internet seller effort.
- b) Use third party data sources to identify businesses continuing to operate after close out.
- c) Expand the SCOP program.

2. Legislative/Regulatory Action

Fund the reward program for unreported sales and use tax information (R&TC §7060).