Compliance Policy and Procedures Manual

Chapter 10

Statewide Compliance and Outreach Program

Sales and Use Tax Department
California State Board of Equalization

This is an advisory publication providing direction to staff administering the Sales and Use Tax Law and Regulations. Although this material is revised periodically, the most current material may be contained in other resources including Operations Memoranda and Policy Memoranda.
Please contact any board office if there are concerns regarding any section of this publication.

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STATEWIDE COMPLIANCE AND OUTREACH PROGRAM (SCOP) 1000.000

INTRODUCTION 1000.010

The purpose of the Statewide Compliance and Outreach Program (SCOP) is to educate business owners regarding their sales and use tax reporting responsibilities, make sure businesses have the required state tax and fee permits, provide a field presence for the Board of Equalization (BOE) and address the tax gap that exists between sales and use tax revenue due under existing laws and the actual amount that is reported and paid. Many businesses that comply with the law and pay their taxes are being competitively undercut by the underground economy.

The SCOP focuses on many elements to address the tax gap by:

- Identifying and registering entities that are actively engaged in business in California who are selling merchandise without a seller's permit or need any other type of permit or license required by the BOE.
- Through outreach efforts, educating business owners and specific industries on their registration, reporting and tax payment requirements.
- Providing guidance on proper reporting for registered businesses by making sure reported sales are consistent with observed business operations.
- Identifying and bringing problem industries into compliance.
- Enhancing the public's awareness of tax evasion and its consequences.
- Coordinating with city, local and other state agencies, including Employment Development Department (EDD) and the Franchise Tax Board (FTB), to share information.
- Increasing BOE data accuracy through registration information updates obtained from permit and license verifications.

BOE representatives (SCOP representatives) generally in the Business Taxes Compliance Specialist (BTCS) or Business Taxes Representative (BTR) classifications from seven teams located throughout the state conduct door-to-door visits to non-residential businesses based on zip code. The teams are located in district offices and spend approximately 80 percent of their assigned time in the field visiting business areas as a team, or individually, as deemed appropriate. Zip codes are identified ahead of time and letters are mailed to the taxpayer's business address indicating that SCOP business visits will be forthcoming and to inform businesses of the purpose and benefits of the program. During these visits, members of the SCOP teams have at their disposal tablet computers with internal modems, along with a database of known businesses that they will be visiting. Detailed comments about the business visit, account maintenance issues, and potential underreporting referrals may be completed while out in the field.

The goal of the program is to educate business owners on their reporting responsibilities and to increase compliance in all facets of the sales and use tax law and any other laws or professional codes administered by the BOE. Information obtained from these visits may be shared with other agencies and municipalities including local jurisdictions, the EDD and the FTB.

The main function of a SCOP representative is to provide outreach, educate and advise business owners regarding the sales and use tax law. As areas of non-compliance are identified by SCOP staff, potential underreporting referrals could be generated. However, a SCOP representative's performance will not be rated upon the basis of recovery, which is prohibited by law.

INTERACTIONS WITH TAXPAYERS 1000.020

SCOP staff is expected to observe the BOE's guidelines set forth in Publication 336, *Ethics: Guidelines for Professional Conduct*. SCOP staff is expected to perform their duties with dignity and courtesy regardless of the type of business under review, the size of the business, the sophistication of records, or any other consideration. SCOP staff should also follow any applicable procedures outlined in the Compliance Policy and Procedures Manual (CPPM) §130.000 and the Audit Manual §0101.20.

TAXPAYERS' BILL OF RIGHTS 1000.030

The Harris-Katz California Taxpayers' Bill of Rights guarantees that the rights, privacy, and property of taxpayers are protected during the course of assessment and collection activity. SCOP staff should be familiar with the provisions of the law found in Revenue & Taxation Code (R&TC) §§6593.5, 6832, 6964, 7080 through 7099.1, and 7156.

AREAS OF NON-COMPLIANCE 1000.040

In order to make sure the success of the program continues, SCOP staff must educate business owners regarding their tax responsibilities and identify areas where general non-compliance exists. Potential areas of non-compliance include specific industries that may not have a clear understanding of the sales and use tax law, businesses operating without a seller's permit, common incorrect claimed tax exemptions due to misunderstanding of the sales and use tax laws, and accounts where under-reporting may be suspected based on revenue reported to the BOE compared to observed business operations. Once the areas of non-compliance are identified, SCOP staff must make sure these are explored and addressed in an efficient and timely manner. To achieve the program's objectives, all SCOP representatives must:

- Understand the SCOP program purposes, expectations and goals;
- Understand the SCOP policies, procedures and guidelines;
- Be fully trained on the use of the SCOP equipment and system operations (i.e. be able to navigate through the Tablet PC, SCOP database, BOE programs, etc.);
- Be aware of specific area(s) of non-compliance that have been identified;
- Maintain a professional demeanor while initiating and completing on-site business visits;
- Be familiar with SCOP forms as well as those used under other related programs, which may be utilized within the SCOP program;
- Have the ability to analyze business operations in comparison to reported revenue and business outlays;
- Have the ability to analyze the information contained within BOE data systems such as Integrated Revenue Information System (IRIS) and Automated Compliance Management System (ACMS);
- Have the ability to analyze information obtained through outside sources;
- Work effectively and efficiently, both individually and as a team, in an effort to achieve the desired goals;
- Have the ability to organize and coordinate day-to-day work activities, both individually and as a team, with minimal supervision; and
- Have the ability to handle issues that may develop while in the field and report them timely to the SCOP Business Taxes Administrator I (BTA I) or designee as needed.

NEW PERMITS 1000.050

The main purpose of the SCOP program is to educate business owners regarding their sales and use tax reporting responsibilities and to help close the tax gap by identifying and registering entities who are actively engaged in business in California and selling merchandise without a seller's permit.

Cities and local municipalities with better business enforcement appear to have fewer issues with vendors operating without a valid seller's permit. Working and coordinating with cities and municipalities is vital in order to identify problem areas prior to making business visits. It is important to make sure staff devotes sufficient resources and time to this pre-field visit preparation.

EXISTING PERMITS 1000.060

Although a business may be operating with a valid seller's permit, this should not curtail or diminish the importance of a SCOP business visit. Another important component of the program is to review businesses operating with valid seller's permits to make sure business owners understand their tax responsibilities and are reporting properly. This also provides an opportunity for the business owners to ask sales and use tax related questions to a BOE representative. The SCOP representative will also update the BOE account information, such as the mailing addresses, telephone numbers, correcting owner information, etc.

Businesses with valid seller's permits are to be analyzed for proper reporting by reviewing the business operations and making a comparison to the information reported on their sales and use tax returns. If a business appears to have a reporting discrepancy based on the SCOP representative's observations, additional time will be spent by either the SCOP representative or other SCOP staff in gathering pertinent facts to support the findings. This will be accomplished by performing a review of the information in IRIS and other third party data including:

- Registration records
- Size of the operation
- Reported sales
- Nature of the business
- Claimed exemptions (questionable exemptions should be noted and addressed during the business visit)
- FTB and/or Internal Revenue Service (IRS) income tax returns
- EDD information
- Accurint or LexisNexis information
- Other available third party data/information

Based on a review of the facts and records, when potential reporting discrepancies are noted, the SCOP staff must:

- Discuss with the business owner the potential discrepancy;
- Provide him/her with supporting evidence; and
- Allow the business owner an opportunity to provide documents/information supporting the reported amounts.

If supporting documentation is not provided by the business owner, SCOP staff should give the business owner the opportunity to file amended returns. In all cases, SCOP staff should provide the business owner with a deadline for submission of the amended returns while informing the business owner that failure to do so may result in further action by the BOE. SCOP staff will monitor these cases until all SCOP related issues are resolved.

NOTE: When requesting amended returns, SCOP staff should be mindful to follow current BOE policy regarding statute of limitations.

If amended returns are filed, SCOP staff should review them for accuracy and only recommend them to be accepted if they are an accurate reflection of the business operations. If the returns are still questionable, SCOP staff may require the business owner to furnish supporting documentation. Failure by the business owner to provide adequate supporting documentation may result in further action such as the recommendation of a Field Billing Order (FBO) or audit.

If amended returns are not provided, SCOP staff should make at least two follow-up contacts with the business owner to request the amended returns. SCOP staff should provide the business owner with a deadline to submit any amended returns needed. If the amended returns are not filed, SCOP staff may proceed with further action, such as recommending the issuance of an FBO or referring the account for audit.

Every situation is different and some reporting discrepancies will be handled based on the review of the facts and records. However, SCOP staff should always follow BOE policies and procedures. For unique or difficult situations, SCOP staff should seek guidance from the District Administrator.

ZIP CODE PROCEDURES 1005.000

OVERVIEW 1005.010

There are seven SCOP teams located throughout California. Information about each team can be located on the SCOP Contact Information and Map page on the BOE website.

ZIP CODE SELECTION 1005.020

In general, the SCOP involves visiting business locations by zip codes. Each SCOP team is responsible for selecting in advance the zip code(s) the team plans to visit so that a letter notifying taxpayers (BOE-1322-A REV 2 (7-11), Exhibit 1), along with the SCOP publication 165, can be mailed. These should be mailed anywhere from 2-6 weeks before the business visits in the selected zip code(s) begin. The following factors should be considered when selecting a zip code:

- Number of accounts associated with the zip code.
- Geographical areas where the business locations are condensed and areas with a history of non-compliance as observed through revocations and collections should be taken into consideration. (For example: historical data reflects that areas without strict local business controls or ordinances tend to have a higher percentage of non-compliance.)
- Businesses operating out of a residential home with no store front will generally not be visited by SCOP staff; however, in-office verifications can be conducted as warranted (see CPPM § 1015.020, Residential Businesses*)*.
- Cities and municipalities should be contacted and a coordinated effort should be made to identify areas of non-compliance.
- Staffing – The number of SCOP representatives available to make business visits and the amount of time it would take to complete a particular zip code. The average is three business visits per hour per SCOP representative.
- Weather – Staff should plan to visit indoor businesses such as malls, etc. during the rainy season if warranted.

Depending on the number of accounts associated with a zip code, each team should have five to ten zip codes selected in advance. Once the zip codes have been selected they must be entered and tracked in each team's Excel spreadsheet titled "*Zip Code Tracking Sheet*," (see Exhibit 2) which is located in each team's G: drive SCOP/Tracking Spreadsheets folder. These tracking sheets should be updated up to three months in advance to allow time for the Headquarters (HQ) SCOP coordinator(s) to properly plan mailings. Prior to visiting the businesses that are within the selected zip codes, a notification letter (BOE-1322-A) and publication 165 will be sent to the business address (or mailing address in special circumstances as discussed in the next section) of all registered taxpayers within the selected zip codes. In general, the letter and publication should be sent 2-6 weeks prior to the estimated start date of the business visits to the zip code.

ADDRESS FILE CLEAN-UP 1005.030

Using the *Zip Code Tracking Sheet*, the HQ SCOP coordinator(s) will review the zip codes selected by SCOP teams and select a mailing date that will accommodate the 2-6 week prior notification to taxpayers. When necessary, the HQ SCOP coordinator(s) will send an email to the applicable BTA I and/or Business Taxes Specialist I (BTS I), to notify them their address files are ready for "clean up" in the SCOP database. The address files contain a list of registered taxpayers coded in IRIS as having a business location within the selected zip code. The file contains business and mailing addresses that must be reviewed and cleaned before the notification letters (BOE-1322-A) can be sent. A due date to return the cleaned files will be provided by the HQ SCOP coordinator(s).

When reviewing the zip code files, SCOP staff will need to determine whether a letter should be sent to the listed business address. Provided below is a list of some (not all) issues that need to be identified and the actions that need to be taken to resolve the issue.

Issues	Actions
Duplicate account numbers are listed under the same location address due to a swap meet (listed on eBOE), or other special event.	1. Determine whether the account is a duplicate in error, or if it is a result of a swap meet, or other special event. 2. If it is a duplicate in error, delete the duplicate, and make proper updates in IRIS. 3. If it is a swap meet, determine whether the SCOP team will visit these locations while visiting the rest of the zip code or as a special focused project. a. While visiting: Delete the business addresses and replace them with the mailing addresses. b. Focused Project: Delete the accounts.
Account number is an arbitrary account. NOTE: If a taxpayer has filed multiple returns/payments under the same arbitrary account, do not delete it. A notification letter (BOE-1322-A) should be sent to this location.	1. Check IRIS and identify why the arbitrary account was set up. 2. If it resulted from a one-time payment of sales and/or use taxes, or as a result of the US Customs Program, delete the account.
Business address is invalid or undeliverable (i.e. corner of, located near, or street name without the street number).	1. Attempt to locate a valid business address. 2. If a valid business address is not located, delete the bad business address and replace it with the mailing address. 3. Make proper updates to IRIS.
Business address includes an incorrect city name or zip code.	1. Delete the wrong city name or zip code and replace it with the correct information. 2. Make proper updates to IRIS.

ADDRESS FILE CLEAN-UP (CONT.) 1005.030

Generally, a notification letter (BOE-1322-A) would not be sent to a taxpayer that has submitted a one-time sales and/or use tax payment (which may have an SR 062- account #), or to a taxpayer that has a US Customs Account (which may have an SR 05#- account #). A notification letter (BOE-1322-A) would be sent to a taxpayer that has been regularly filing his/her sales and use tax returns under an arbitrary account number. In this situation, SCOP staff should contact the taxpayer to properly register him/her. In any case, SCOP teams would visit all business locations, regardless of whether they are registered with a valid permit number, are listed under an arbitrary account number, or are not required to hold a permit number (i.e. service businesses).

The BTA I must make sure the address cleanup is completed by the given deadline and an e-mail is sent to the HQ SCOP coordinator(s) confirming the file clean-up. The HQ SCOP coordinator(s) will then make arrangements with the Technology Services Division (TSD) and the Mail Services Unit to mail the notification letters within the required timeframe prior to the start of visits.

OUTREACH EFFORTS/LOCAL CONTACTS AND LETTERS TO LOCAL JURISDICTIONS 1005.040

As part of SCOP's outreach efforts, the BTA I or BTS I will need to make contact by phone or in person with all city agencies (and with counties for unincorporated areas), to notify them of our upcoming business visits **prior** to visiting the businesses. These contacts will help city agencies to become more familiar with our program. During the contacts with each city agency, the following information must be obtained:

- Name of contact person,
- Title
- Direct phone number, and
- Confirmation of their mailing address.

SCOP staff will also need to notify local chambers and law enforcement organizations **prior** to visiting a particular area. The same contact information should be requested for all local town halls, chambers of commerce, municipalities, etc. The contact information is to be c*ollected and maintain*ed using the Excel spreadsheet located in each team's SCOP folder titled "City-County Contacts."

OUTREACH EFFORTS/LOCAL CONTACTS AND LETTERS TO LOCAL JURISDICTIONS (CONT.) 1005.040

During each contact with a city representative, the BTA I or BTS I, must:

3. Provide an overview of SCOP and explain what a SCOP business visit may entail.
4. Provide an estimated time frame of how long a SCOP team should be in their area conducting business visits in a particular zip code.
5. Advise the city representative that during a visit to a business, a SCOP representative will verify whether the business holds a valid city business license.
6. Notify the city representative that a letter will be sent to the city once all business visits in the selected zip code are complete. Indicate that this letter will include a report showing businesses that were found without a proper city business license.
7. Provide SCOP posters and request posters to be posted in locations that issue business licenses.
8. Discuss the AB 990 program.

    a. If the city has not signed a contract with the BOE, the SCOP staff should provide information regarding the benefits and notify the city representative how to participate. Operations Memo 1145 provides further information on AB 990 and is marked for Public Release.

    b. If the city already participates in the AB 990 program, the SCOP staff should ask the city representative if they are actively using the data, which is provided quarterly.

A list of city offices separated by SCOP district will be provided by the HQ SCOP coordinators. The list will identify the cities that participate in the AB 990 Program. This list does not include all city contacts, nor does it include contact names or unincorporated areas. Each SCOP team will be responsible for collecting and maintaining the required contact information for their territory.

The SCOP coordinators will retrieve contact information from each team's SCOP folder and send a letter (BOE-1322-B) to each city/county contact person prior to our SCOP visits explaining our SCOP efforts (see Exhibit 3).

Once all visits to businesses within a zip code have been completed, a letter (BOE-1322-C) will be sent by the SCOP coordinators to each city/county with a report showing the businesses that may be operating without a valid city/county business license (see Exhibit 4).

PRE/POST-VISIT PROCEDURES 1010.000

OVERVIEW 1010.010

It is important that the SCOP teams perform some prescreening (background research) of accounts before the business visits are actually made. The SCOP team should do prescreening for each account on the zip code list that they expect to visit and make notes for each taxpayer they have prescreened. Because IRIS information is not static and can change overnight, prescreening should not be done too far in advance of the day the SCOP team actually expects to perform the visit.

Prescreening of accounts will generally identify taxpayers that may have a misunderstanding of the sales and use tax law and have reported low total sales, a potentially low taxable sales percentage, unusual/questionable deductions, outstanding balances, are closed out in IRIS but are still operating, are revoked, and/or have had a prior audit and history of underreporting. Prescreening of accounts will help formulate the type of assistance the business owner may need at the time of the business visit. It will help identify any issues the SCOP representative should review with the taxpayer as they are conducting their business visit. Prescreening will also identify industries the SCOP teams need to become more familiar with through research of the sales and use tax laws and regulations.

The purpose of prescreening is to gather information on each account. The SCOP representative should review any applicable information BEFORE entering a business. After making an observation of the business operations and speaking with the business owner on the issues of concern, a reasonable decision can be made as to whether or not a potential discrepancy in the reported taxable sales exists. Tools the SCOP team can use to prescreen include (but are not limited to): IRIS, ACMS, Accurint, LexisNexis, External Agency Tracking (EAT), and the Internet.

In addition, post-visit work should be performed when additional information is needed to determine what SCOP action should be taken (i.e. amended return, Compliance Assessment (CAS), FBO, audit, or ACMS notes).

It is at the discretion of each SCOP team which methods should be used to do the pre/post-visit work. At the very least, IRIS should be reviewed prior to entering a business.

INTEGRATED REVENUE INFORMATION SYSTEM (IRIS) 1010.020

An IRIS screen has been developed specifically to assist SCOP staff in accessing all pertinent information on a particular account in one single screen and in a more time efficient manner. The TPS SP screen encompasses information from each of the following IRIS subsystems:

- TAR AI - used to verify registration and ownership, to view comments on the account, to see sub-location information, and to view comments on class of business
- AUD MC - used to identify if there has been a prior audit and what the results of the prior audit were
- REV FZ - used to see the taxpayer's past history of reporting and what deductions they have taken in the past
- DEL BD - used to identify if a taxpayer has been revoked and/or if there are any delinquent returns
- DIF DA - used to identify if a taxpayer has an outstanding balance

AUTOMATED COMPLIANCE MANAGEMENT SYSTEM (ACMS) 1010.030

ACMS should be used to view the notes and comments on accounts that have an outstanding balance. If an account has a delinquency, the SCOP representative should notify the taxpayer (if appropriate) at the time of the business visit of the responsible collector's contact information. In this case, the SCOP representative should also enter comments onto ACMS detailing the date of the SCOP business visit. This will notify the BOE collector that additional information is available on the SCOP database. Also, special situations that require sensitivity can also be identified by reviewing ACMS notes, such as taxpayers who have an outstanding balance but have filed for bankruptcy.

ACCURINT, LEXIS NEXIS, EXTERNAL AGENCY TRACKING (EAT) 1010.040

Accurint, LexisNexis, and EAT contain powerful search engines that can reveal much information about a taxpayer that neither ACMS nor IRIS may reveal, such as supplier information, businesses associated with the taxpayer, landlord information, returns filed with the FTB and the EDD, vehicles registered with the Department of Motor Vehicles (DMV), taxpayer's websites, etc. All of the information above can be used to determine if a potential discrepancy in the reported taxable sales exist.

INTERNET 1010.050

The Internet is a useful resource tool that can be used to obtain information about a specific business. It can be used to review business websites and to gain knowledge about specific business industries. It can also be used as a skip tracing tool.

Several search engines are available. Whitepages.com is an excellent resource to perform reverse lookups using a given address to identify the listed business of record at a particular location. It has proven very useful when attempting to find multiple, often unregistered businesses, at a single location (i.e. apartment complex) which would not show up on the SCOP zip code list of accounts because they have no existing seller's permit. For additional internet tools, SCOP staff may use BOE's Internet Collection Tools & Information.

REMINDER: It is the policy of the BOE to encourage the responsible use of the Internet as a means to achieve the agency's business goals and mission. As with all state-provided resources, the use of the Internet is limited to legitimate state business and is governed by the same rules of conduct applicable to the use of other information technology resources (BEAM section 8023). Personal use should be "incidental and minimal."

FIELD VISIT PROCEDURES 1015.000

OVERVIEW 1015.010

A SCOP team generally includes eight SCOP representatives that routinely make business visits. Each team may be divided into two or more groups as needed. Each team will develop their method for visiting a zip code and what areas will be assigned to each group. Groups will be assigned streets within the area selected. Each group will be responsible for keeping track of which streets have been completed in each zip code.

RESIDENTIAL BUSINESSES 1015.020

In general, businesses operating out of a residential location with no store front will not be visited by SCOP staff; however, in-office verifications can be conducted if warranted. SCOP teams may work residential locations internally as a special focused project and may conduct their own in-office research to determine whether the taxpayer appears to be reporting their sales and use taxes correctly or whether they have other retail locations not registered with the BOE.

If in-office research is conducted, the ☐ **In Office Investigation** checkbox should be checked in the SCOP database. Whenever this ☐ **In Office Investigation** checkbox is marked the record must also include a special event code. The special event code for in office investigations of residential locations is **075**. Remember: This checkbox box and code should only be used when an in office verification has taken place.

If the residential location is not being researched and it needs to be cleared from the local database, the ☐ **Residential** checkbox should be checked. Once the account is uploaded, it will be cleared from the list of uninspected accounts.

STORE FRONT BUSINESSES 1015.030

All visits to businesses must be conducted in a manner that results in minimal disruption to the businesses' daily operations. For businesses with store fronts, it is very important to not be disruptive to the selling activity and to be aware of maintaining a confidential conversation with your business contacts. The SCOP representatives are responsible for visiting every non-residential business on their assigned street(s), not just the ones that appear in the SCOP database (see CPPM § 1015.150, *Additional Requirements for Qualified Purchaser Under ABX4-18*).

Each SCOP representative, before going to the field, will make sure they have all appropriate equipment and supplies. In addition, the SCOP representative will make sure all equipment is properly working.

Upon arrival at the designated location, the SCOP representative will need to log into the Tablet PC, open the SCOP database, IRIS, and any other necessary programs. The SCOP representative must have BOE issued identification visible at all times. In addition, the SCOP representative must also be professional in appearance and demeanor. Comfortable shoes and appropriate clothing or optional BOE attire for weather conditions should be worn. A representative from the team should contact the appropriate law enforcement agency or watch commander, as determined by that law enforcement agency, to notify them of the SCOP team's presence in a particular area.

PRE-VISIT WORK 1015.040

Prior to entering a business, the SCOP representative should at least review the TPS SP screen in IRIS. If further research is needed, the SCOP representative should review additional screens in IRIS, ACMS, etc. If the SCOP representative encounters a flagged account (i.e. Flags A, B or C), they must contact their BTA I or designee prior to entering the business.

The SCOP representative should be aware if the account has been selected for audit or if there are any delinquencies on the account. If the account has been selected for audit, the SCOP representative should be sensitive to the situation as accounts selected for audit do not always get assigned for an audit. A BOE-1164, *Audit Memorandum for Possible Tax Liability*, should be prepared noting any potential discrepancies in the reported taxable sales based on the SCOP representative's observations. SCOP comments can be valuable information to the auditor assigned to the audit. The comments on the BOE-1164 should state that the account has been selected for audit. If the account has a delinquency, ACMS should be reviewed prior to entering a business to verify if the account has been assigned to a collector. The SCOP representative should notify the business owner at the time of the visit of the delinquency(ies) and refer him/her directly to the collector handling the account.

See *Pre/Post Visit Procedures* for more information

BUSINESS VISIT METHODS 1015.050

There are several ways to conduct business visits. The goal is to visit all the businesses in the designated areas in the most efficient manner. The following are a few methods which may be used:

1. If there are four SCOP representatives in a group, two SCOP representatives may work on each side of the street. Two SCOP representatives may be placed on the odd side and two on the even side of the street. On the designated side of the street, one SCOP representative will start at the high number end of the street and the other at the low number end working towards each other. This should eliminate any duplication of business visits.

2. If a street does not have many business locations, the group may consist of two SCOP representatives instead of four. One SCOP representative may be on the even side and one on the odd side of the street. Both SCOP representatives should start at the same end of the street and proceed in the same direction. If one SCOP representative has not seen the other after some time (time can be pre-determined depending on the area), a call should be placed to determine their location and to see if any assistance is needed.

3. The leap frog method may also be used. The leap frog method is when a group works the same side of the street. One SCOP representative will go into the first business and the second into the next and so forth.

NOTE: The SCOP representatives will usually be working in groups in a specific area. However, when it is deemed appropriate by the BTA I or designee, a SCOP representative may conduct business visits without a partner(s).

CONDUCTING THE VISIT 1015.060

All assignments will be performed in a professional manner. It is the BOE's policy to administer its laws and policies fairly and efficiently, with the expectation that employees will conduct themselves with dignity, integrity and courtesy. In addition, discretion must be exercised to avoid disclosing confidential information to unauthorized parties. (See CPPM §722.020)

Upon entering a business, the SCOP representative should request to speak to the business owner or person in charge if the owner is not present. The SCOP representative must introduce him/herself:

> "Hello, I am ____Name_____ with the Board of Equalization, Statewide Compliance and Outreach Program (SCOP). I am here to verify that you have a seller's permit and a business license."

The SCOP representative must identify him/herself by showing BOE identification and providing contact information. The SCOP representative must also hand SCOP publication (PUB-164) and SCOP Survey (PUB-164-SUR) to the business owner at each field visit.

If permits and licenses are not displayed, the SCOP representative should request to see them. The SCOP representative should inform the business owner that the seller's permit, cigarette and tobacco license, city/county business license, ABC license, etc. should be displayed. If the business owner or employee is not familiar with a seller's permit, the SCOP representative should show them a sample seller's permit.

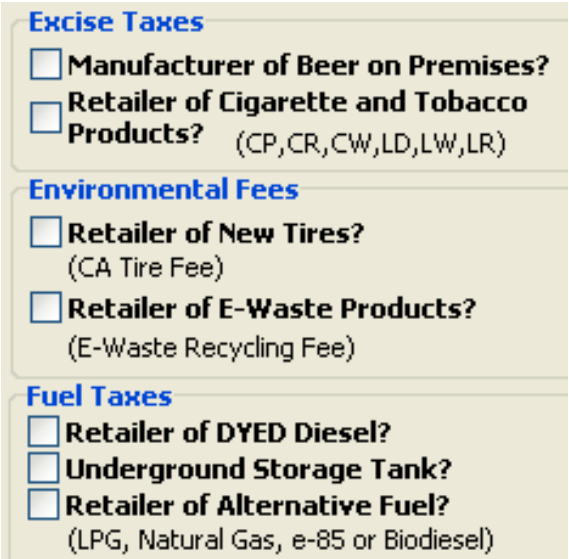
The SCOP representative should explain the purpose of the SCOP visit and should ask the business owner if they have any questions related to their sales and use tax responsibilities. Information about the business operations should be gathered at the time of the visit to make sure the business owner understands their reporting requirements. A business card should be left if further information is needed and should be offered as a courtesy to all business owners.

Upon entering the business, the SCOP representative should make reasonable attempts to speak to the business owner or manager instead of an employee, due to the following issues:

- The employee may feel intimidated.
- The employee may not be able to provide accurate information about the business operations, customers, vendors, method of recording sales or reporting tax, etc.
- Employees are not routinely authorized to discuss confidential information about the business' tax reporting.
- The business owner or manager may receive inaccurate or incomplete information from the employee about matters discussed during the SCOP visit.

Some programs administered by the BOE do not issue a physical permit/license. The SCOP representative should observe the business and make a note of other BOE tax/fee program licenses or permits that may be needed for the business. The SCOP representative should complete the "**Inspection**" tab in the SCOP database and check all applicable checkboxes for other BOE programs that may pertain to the business. (Example: If the business sells cigarettes or tobacco products, the appropriate checkbox under Excise Tax Division should be checked. If the business is a gas station, the "Underground Storage Tank?" checkbox under Fuel Taxes should be checked.

Inspection Tab in SCOP Database



SAFETY ISSUES 1015.070

If there are safety concerns in a particular area, they should be discussed with the BTA I or designee to determine how to conduct the business visits. Depending on the area, the SCOP representatives can do business visits in pairs (i.e. two SCOP representatives may go into one business together). If a SCOP representative visits a business (whether working in a group or working alone on a designated street) and feels her/his personal safety is threatened, the SCOP representative should immediately leave and contact their BTA I.

If law enforcement escort is needed for a particular area, the local law enforcement agency should be contacted to schedule a date and time to accompany the group(s). The business visits will generally be arranged at the convenience of the law enforcement agency.

If the SCOP representative is asked to leave the premises and feels their safety is threatened, the SCOP representative should immediately leave the business. The SCOP representative should contact the BTA I or designee to report the incident. In a safe location, the SCOP representative should enter the details of what transpired on the "**Comments**" tab, then mark the box "**Follow-Up Needed**" and continue to the next business. In case of emergency, a call to 9-1-1 should be made.

REQUESTING BUSINESS RECORDS 1015.080

It is not intended for SCOP staff to request business records at the time of the business visit. SCOP staff should not request invoices, financial statements, receipt books, tax returns, or similar documents during a business visit. However, if a business owner questions whether they are collecting and reporting correctly, SCOP staff may offer to review records to make sure the business is in compliance with the sales and use tax laws and regulations. This should only be done in situations where the business owner is willing and open to presenting records during a business visit.

If during a business visit, the SCOP representative recognizes a potential underreporting issue and believes records may need to be reviewed to determine what course of action to take, attempts should be made to document as much information as possible about what led the SCOP representative to this conclusion (i.e. size of location, # of employees, type of product sold, # of locations, # of bays, # of tables, prices, questionable exemptions based on the nature of the business, conversations held with the business owner, supplier information, hours of operation, etc.). The SCOP representative may attempt to schedule a future appointment with the business owner and the BTA I, BTS I, or designee.

When requested by the taxpayer to work directly with their representative, such as a bookkeeper, CPA, or attorney on subsequent account inquiries, SCOP staff should honor that request. In addition, when requested by the taxpayer, copies of all correspondence with the taxpayer should also be sent to the representative. See Audit Manual, §0222.40 for additional information.

SCOP staff should never threaten or intimidate business owners with an audit.

EXISTING ACCOUNTS WITH PROPER SELLER'S PERMITS 1015.090

The SCOP representative should observe the business operations and make a quick comparison of the business operations to the sales reported by the business to the BOE (see CPPM §1202.000, *Analysis of Business Procedures*). The observation should focus on:

- Size of the operation - estimated sales volume based on observation, # of employees, etc.
- The ownership type
- Nature of the business
- Sales flow- observation of customer traffic flow and nature of the sales must be documented.
- Tax exemptions- reported tax exemptions should be appropriate for the business operation.
- Start date- an attempt should be made to verify the business start date with the business owner.
- Operating expenses- based on observation, business expenses such as number of employees, cost of goods sold, wages, etc. should be estimated. These expenses should generally be supportive of reported sales.
- Sub-locations- any other locations, along with start dates and reporting of revenue for each sub-location (from inception) should be verified.
- Number of employees- if the number of employees is 10 or more at the location, the ☑ **10+ employees at location** checkbox should be checked on the "Inspection" tab in the SCOP database. If the number of employees is 50 or more under the same ownership, the ☑ **50+ employees under same ownership** checkbox should also be checked.

EXISTING ACCOUNTS WITH PROPER SELLER'S PERMITS (Cont.) 1015.090

- Forms of payment accepted- appropriate comments should be made to note if the business accepts cash, checks and/or credit cards.
- Online sales- appropriate notes should be made if the business has a website where customers can make purchases.
- Sales tax reimbursement – appropriate notes should be made detailing whether the sales of the business contain sales tax reimbursement or if they are tax included.

If any potential discrepancies are noted, the SCOP representative should notify the business owner they may need to amend their prior returns. A BOE-1164 should be completed if any potential discrepancies in sales reported are noted. The business owner should be notified that a SCOP representative will be following up with them at a later time. The taxpayer may also be given the option of setting up an in-office appointment to discuss and/or provide amended returns.

The ownership, DBA, mailing address and phone number should be verified and if there are any account maintenance discrepancies, they should be noted on the "**Acct Maint (220I)**" tab in the SCOP database. The SCOP representative must also ask the business owner for information regarding any other locations previously and currently operating as well as verify start and close-out dates for such locations. This information must then be compared to the IRIS records for confirmation.

If the business being visited has a valid permit number, but the sub-location permit is not identified, the SCOP representative should record the visit in the SCOP database by generating a "New Record" and recording the visit under a new sub number, by entering in the actual account number and then the next available sub number as indicated in IRIS. This information will automatically populate on the "**Acct Maint (220I)**" tab. This is where the SCOP representative will need to add the sub-location(s) information in order for the location to be added to the existing permit.

If during a business visit, a business owner offers to make any payments, the SCOP representative[1] authorized to issue receipts should accept the payment and issue a receipt following the cashiering procedures.

BUSINESSES OPERATING WITHOUT PROPER PERMITS 1015.100

If a business is found to be operating without a permit, a CTS CS search should be done in IRIS to make sure there is no valid permit for the location in question. If a permit is not located, the SCOP representative should create a new record and select "New Permit" to record the business visit in the SCOP database. This will automatically generate a 500 series tracking number. The SCOP representative will need to obtain the taxpayer Name, DBA, address, name of person providing information, phone number, start date, and other applicable information, and enter the information in on the "New Record" window. Once the information is saved, the "**Account Maint (220I)**" tab in the SCOP database will immediately follow.

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[1] A SCOP representative does not include SCOP staff in the Tax Auditors or Associate Tax Auditor classifications. Auditors must not accept payments in the office or field. See Audit Manual, §0101.60 for additional information.

BUSINESSES OPERATING WITHOUT PROPER PERMITS (CONT.) 1015.100

If a business is found to be operating without a permit, additional time and effort in gathering pertinent information will be needed. Depending on the scope of the business, detailed information gathered should focus on:

- Ownership – It is imperative that the correct ownership be recorded. Exact ownership information may be found on lease agreements, purchase invoices, sales invoices, bank statements, utility bills and other business or state licenses at the premises.
- Start date – The start date of a business may be found on the city/county business license, the lease agreement, date of occupancy issued by the local fire department, or other reliable written verification. The lease agreement is the most reliable verification document. SCOP staff should be aware to only back date start date within the statute of limitations.
- Suppliers – The business owner will be asked to provide the names, addresses and phone numbers of suppliers at the time of registration. If available during the business visit, this information should be noted.
- Size of the operation – estimated sales volume from the owner, corroborated by observation, number of employees, etc.
- Operating expenses –a detailed observation of the business operations and an estimate of the operating expenses such as approximate rent, cost of goods sold, wages, etc. should be made.

REMINDER: SCOP staff should be careful to only back date a start date within the statute of limitations. While exceptions exist, generally the BOE cannot require a taxpayer to file original returns for periods over eight years old.

See *500 Series Processing Procedures*, for information regarding tracking of the status of all 500 Series tracking numbers that are generated and uploaded.

PROVIDING REGISTRATION INFORMATION TO BUSINESS OWNER 1015.110

After obtaining all information needed, the SCOP representative will provide the business owner or the on-site representative with information on how to electronically register for a seller's permit. The SCOP representative should also provide the business owner or the on-site representative with publication 214, *Doing Business Just Got Easier with eReg*.

> NOTE: For tracking purposes, SCOP staff should write the assigned "tracking number" on the registration publication and advise the business owner or their on-site representative to reference the tracking number when calling with questions.

It is mandatory for the SCOP representative to explain to the business owner and document in the business visit report that it is "illegal to sell tangible personal property subject to sales tax without a valid seller's permit." The business owner must also be informed of the consequences for not obtaining the required seller's permit. This must be documented on the "**Comments**" tab in the SCOP database as it will serve as evidence should the matter result in a citation and subsequent prosecution. An expected follow-up date will be established and noted, usually within ten (**10**) business days.

FILING PRIOR RETURNS 1015.120

In addition to the requirement for a seller's permit, the SCOP representative must notify the business owner that prior sales and use tax returns will be required. All delinquent sales and use tax returns must be filed immediately upon issuance of the seller's permit. The accuracy of these returns must be stressed as well and the business owner should be informed of the requirement to maintain supporting documentation in the event of an audit. When requesting prior sales and use tax returns, SCOP staff should be mindful to follow BOE's policy regarding statute of limitations.

UN-PERMITTED SUB-LOCATIONS 1015.130

It is vital to make sure all sub-locations hold valid sub-permits. The SCOP representatives must ask the business owner for information regarding any other locations previously and currently operating as well as verify start and close-out dates for such locations. This information must then be compared to the IRIS records for confirmation. Sub-locations not registered must be added to the taxpayer's account immediately.

If, during a business visit, it is found that the location is not properly listed as a sub-permit, the visit should be recorded in the SCOP database by generating a "new record" and recording the visit under a new sub number, by entering in the actual account number and then the next available sub number as indicated in IRIS. This information will automatically populate on the

"Acct Maint (220I)" tab. This is where the SCOP representative will need to add the sub- location(s) information in order for the location to be added to the existing permit.

The SCOP representative must verify that all sales for unregistered sub-locations have been reported on the taxpayer's sales and use tax returns. This should be verified by performing a review of business operations observed during the business visit compared to amounts reported to BOE.

If the taxpayer has been reporting the sales of the sub-location(s) and no additional tax is due, the SCOP representative must notify the taxpayer that BOE-530, *Schedule C-Detailed Allocation by Suboutlet of Combined State and Uniform Local Sales and Use Tax* will need to be amended.

If, at the time of the business visit, it appears the sales of the sub-location may have been overlooked by the taxpayer or it is determined that additional tax may be due, the SCOP representative must notify the taxpayer of the potential discrepancy and ask the taxpayer to review their records and amend any necessary sales and use tax returns. In addition, a BOE-1164 should be generated by completing the "**Audit Memo (1164)**" tab, to document the potential underreporting issue. The BOE-1164 will later be tracked by the in-office staff to determine the next course of action.

The SCOP representative should notify the taxpayer that a subsequent contact by a SCOP representative will be made to request amended returns and/or documents to support what should be reported.

BUSINESSES THAT DO NOT NEED A SELLER'S PERMIT 1015.140

When the SCOP representative enters a business that is determined to not require a seller's permit, a business visit should still be conducted. The SCOP representative must verify that the business owner holds a valid city/county business license. The SCOP representative should educate the business owner on their use tax reporting responsibilities, provide BOE publication 123, *California Businesses: How to Identify and Report California Use Tax Due*, and explain how use tax may apply to certain purchases for use in California and the different use tax reporting options.

The visit should be recorded on the SCOP database using a 900 tracking number. The following information must be gathered in order for the visit to be recorded on the SCOP database:

- owner name or DBA,
- contact name,
- phone number; and
- number of employees.

ADDITIONAL REQUIREMENTS FOR QUALIFIED PURCHASER UNDER ABX4-18 1015.150

Alternate reporting is required for a "qualified purchaser" as defined under ABx4-18. Qualified Purchasers[2] are now required to register with the BOE to report use tax liabilities. The Qualified Purchaser Team in the Use Tax Administration Section is responsible for registering these businesses.

All SCOP staff should understand the ABx4-18 program and follow current BOE policy regarding the registration requirements. All qualified purchasers are registered as SU accounts. SCOP representatives should be able to import these SU accounts into the SCOP database.

- If the SCOP representative comes across a service ONLY business (for example, real estate, CPA or attorney office), **AND** finds a SU account in the SCOP database that matches the name and address, they may skip the visit to that particular service business since the business is already registered with the BOE.
- If no SU account for that location is found in the SCOP database, the SCOP representative should enter the location and conduct a business visit if it appears the business could be selling tangible personal property or if there is an opportunity to provide outreach and information on the sales and use tax law.
- If there is a business reason to visit an already registered SU account, the visit should be recorded in the SCOP database under the SU account. This will allow SCOP teams to generate BOE-1164s, *Audit Memorandum of Possible Tax Liability*, and/or BOE-220- Is, *Account Maintenance Referral*, if there are any potential reporting discrepancies or account maintenance issues.

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[2] For the definition of a Qualified Purchasers, please refer to current BOE publications, Special Notices and Policy Memorandums.

ANALYSIS OF BUSINESS PROCEDURES 1020.000

OVERVIEW 1020.010

At the time of the business visit, the SCOP representative should:

- determine if the business owner holds a valid seller's permit, if one is required;
- determine if the business owner appears to understand their reporting responsibilities and appears to be properly reporting their sales and use tax liability based on their observation of business operations;
- perform a cursory review of the business operations to determine if reported amounts seem reasonable for the type of business;
- address any potential discrepancies and provide assistance for proper reporting to the business owner; and
- generate a BOE-1164 for further review if the business owner does not appear to be reporting correctly and further review is needed.

To determine if potential reporting discrepancies exist, the SCOP representative must understand the nature of each business and the regulations that may apply. Below is a list of common industries with helpful information to consider when visiting a business. These guidelines will assist the SCOP representative with the types of issues to address with the business owner and the kind of information which should be gathered in order to make an informed judgment regarding potential reporting discrepancies.

CASH BUSINESSES 1020.020

Gross profit/net worth analysis – The goal of almost every business is to make money. Therefore, it is logical to assume that the business will generate at least sufficient sales to cover the cost of goods sold, expenses, and capital asset increases.

If, during a routine business visit, it appears reported sales are insufficient to cover expenses and observable capital assets, the SCOP representative should consider completing a BOE-1164 if the business owner cannot give a reasonable explanation/support. Therefore, it is essential that the SCOP representative observe the business operations and/or inquire about factors such as:

- purchases of fixed assets
- number of employees
- size of the business and number of customers
- hours of operation
- monthly/quarterly and/or annual cost of inventory

The SCOP representative should also make notes on important observations while conducting a business visit, such as an obviously new piece of equipment recently purchased and sitting in the hallway.

RESOURCES 1020.030

The following list contains suggested resources by specific topic or industry for information regarding the application of tax:

Purchases Subject to Use Tax

- Regulations 1684, 1685, 1686, and 1687
- Publication 110, *California Use Tax Basics*
- Publication 79, *Documented Vessels and California Tax*
- Publication 79-A, *Aircraft and California Tax*

Food Products

- Regulations 1602, 1602.5, and 1603
- Publication 22, *Dining & Beverage Industry*
- Publication 31, *Grocery Stores*
- Audit Manual, Chapter 8, *Bars and Restaurants*, and Chapter 9, *Grocers*

Labor

- Regulations 1506, 1546 and 1549
- Publication 108, *Labor Charges*

Freight Charges (Commonly Taken As a Deduction by the Taxpayer Under "Other")

- Regulation 1628

US Government

- Regulations 1521, 1614, 1616 and 1618
- Audit Manual §0410.00

Software Charges

- Regulation 1502

Sales for Resale

- Form BOE-230, *General Resale Certificate*
- Regulation 1668
- Publication 42, *Resale Certificate Tips*
- Publication 103, *Sales for Resale*
- Audit Manual §0409.00

Construction Contractors

- Regulation 1521
- Audit Manual, Chapter 12, *Construction Contractors*
- Publication 9, *Construction and Building Contractors*

RESOURCES (CONT.) 1020.030

Services

- Regulations 1506, and 1524
- Publication 125, *Dry Cleaners*

Interstate Commerce

- Regulation 1620
- Audit Manual §0414.00
- Publication 77, *Out-of-State Sellers: Do You Need to Register with California?*
- Publication 101, *Sales Delivered Outside California*
- Publication 104, *Sales to the Residents of Other Countries*

Leasing

- Regulations 1660 and 1661
- Audit Manual §0420.00

ACCOUNT MAINTENANCE (BOE-220-I) PROCEDURES 1025.000

OVERVIEW 1025.010

If a SCOP representative determines during a business visit that an update needs to be made to a taxpayer's account registration, a BOE-220-I form will need to be created. The updated information will need to be entered onto the SCOP database under the "**Acct Maint (220I)**," "**Close Out (220I)**," and/or "**Comments (220I)**" tabs. These tabs should be used to note any necessary changes to a taxpayer's registration record while conducting a business visit or during follow-up work.

Comments and recommendations on a BOE-220-I, *Account Maintenance/Referral,* should be clear and concise. All necessary information should be obtained the business visit to update the account. In the event the BOE-220-I has any inconsistencies or errors that in-office SCOP staff is unable to resolve, the BOE-220-I may be returned to the SCOP representative for further investigation or clarification

SPECIAL TAXES ACCOUNTS 1025.020

While reviewing and processing the BOE-220-I forms, it must be determined whether the sales and use tax account has any related special tax (Excise Tax, Fuel Tax, or Environmental Fees) accounts. If account maintenance updates need to be made on a sales and use tax account that has a related special tax account, a hardcopy of the BOE-220-I must be forwarded to the Special Taxes and Fees Division (MIC: 57).

ACCOUNT MAINTENANCE ISSUES 1025.030

The BOE-220-I may include any of the following account maintenance issues that should be noted on the applicable tabs in the SCOP database:

- **Change in ownership – ("Acct Maint (220I)"** tab): The SCOP representative must try to obtain all applicable information regarding the new ownership, such as the new owner's name and new ownership effective date.

  NOTE: The new owner will most likely be required to register for a new seller's permit. In this case, the SCOP representative should provide publication 214 and advise the new owner of the type of information needed in order to electronically apply (i.e., driver's license, bank account information, email addresses, etc.). A 500 number should NOT be created in the SCOP database for tracking purposes.
- **Change of business/mailing address and effective date – ("Acct Maint (220I)"** tab)
- **Change in telephone number(s) and effective date – ("Acct Maint (220I)"** tab)
- **Add a New Location (Sub) – ("Acct Maint (220I)"** tab): The SCOP representative should obtain the DBA name, location address, telephone number, effective date, and number of sub-locations that need to be added (if applicable). The effective date must be verified and the verification method (i.e. information received from the landlord, business license, neighbor, etc.) should be documented on the "**Comments (220I)**" tab of the SCOP database.

- **Closeout Information – ("Close Out (220I)**" tab): If a master location or sub-location needs to be closed out, the SCOP representative must specify a new owner's name and dba (if applicable), new/forwarding address, effective date, and the new owner's phone number. The SCOP representative should also document if the fixtures and equipment were retained or sold (must indicate value); the inventory was retained or sold for resale (must indicate new owner's account); and/or if there was an escrow involved (must indicate escrow holder).

  NOTE: When an account is to be closed out, the SCOP representative should try to obtain as much information about the close-out as possible. The SCOP representative should ask if the business discontinued or relocated. If relocated, an attempt should be made to get the new business address by speaking to neighbors or contacting the business landlord for information.

- **Other Changes or Requests – ("Comments (220I)**" tab): Any other account maintenance changes should be noted.

  NOTE: Returned Mail – When a SCOP team receives returned mail resulting from the mailing of the BOE-1322-A, a comment should be noted in IRIS indicating that the letter was returned. The letter should not be forwarded to the mailing address unless the business address is an "undeliverable address." If sending the letter to the mailing address results in the letter being returned again, the SCOP staff should research the issue and determine a better address. A business visit should still be made by a SCOP representative. Any account maintenance issues will be corrected through the BOE-220- I process.

Account maintenance updates need to be processed in IRIS. Comments should be entered in IRIS on the TAR AI screen when processing BOE-220-Is and performing account maintenance. The subject line on all comments should contain the word "SCOP."

500 SERIES PROCESSING PROCEDURES 1030.000

500 DATABASE IN ACCESS VS. THE 500 SERIES TRACKING IN SQL 1030.010

If a 500 tracking number was generated and uploaded to the SCOP database prior to 7/1/09, the status of that 500 number was tracked using the 500 Database in ACCESS. As of July 1, 2010, all work on the 500 numbers in the ACCESS databases has been completed. All locations needing a permit have registered with the BOE. All business visit records under 500 numbers uploaded on or after 7/1/09 are tracked in the "500 Series Tracking" in the SCOP database.

500 NUMBER PROCESSING 1030.020

Follow-ups should be done on the 500-series tracking numbers within 10 days to see if seller's permits have been issued. All SCOP actions should be documented in the "500 Series Tracking" (Citation Procedures (Confidential – Not For Public Release), for more information on the follow-up process).

Once the seller's permit is issued, the necessary information on the "500 Series Tracking" should be completed. Comments should be entered in IRIS on the TAR AI screen regarding SCOP actions. The subject line on all comments should contain the word "SCOP." The account should be tagged at the account level in accordance with the Lead Source Tagging Procedures.

CHANGES IN OWNERSHIP 1030.030

A 500 series number is **NOT** needed if there is only a change in ownership, whether or not a new account number has already been issued (i.e. business has been incorporated, adding/dropping partners, etc.). In this case, the SCOP representative should obtain the new account number from the taxpayer and record the visit following the proper procedures in the SCOP database.

REINSTATING CLOSED OUT ACCOUNTS 1030.040

When the SCOP representative discovers a business operating with a closed-out seller's permit, a 500-series number should only be issued in the SCOP database if the taxpayer is required to have a new seller's permit. Otherwise, the SCOP representative should record the visit on the SCOP database using the closed-out account number and a BOE-220-I form should be completed to request that the permit be reinstated. The SCOP representative should also complete a BOE-1164 form if the business has not been filing sales and use tax returns. The business owner should be notified that all past due returns need to be filed with payment in full within 10 days.

When a seller's permit is reinstated after it was closed out in error, the account should be tagged at the account level in accordance to the Lead Source Tagging Procedures.

AUDIT MEMORANDUM OF POSSIBLE TAX LIABILITY (BOE-1164) PROCEDURES 1035.000

OVERVIEW 1035.010

The SCOP uses the BOE-1164 form for all potential reporting discrepancies. The BOE-1164s are reviewed after the business visits by SCOP staff for materiality and proper action. If during a visit it appears there are significant discrepancies between what a business owner is reporting on their sales and use tax returns and the actual business operations, a BOE-1164 should be completed on the SCOP database. The "Audit Memo (1164)" tab on the SCOP database should be used to note any observations made by the SCOP representative detailing the potential reporting discrepancy along with the suggested recommendations. Comments and recommendations should be clear and concise.

In general, reporting discrepancies may involve understated gross sales, questionable deductions claimed (i.e. sales to other retailers for purposes of resale, nontaxable sales of food products, and nontaxable labor), and understated purchases of tangible property that may be subject to use tax. When the BOE-1164 is being reviewed after the initial business visit, supporting documents such as invoices, purchase orders (for inventory and other tangible items that show whether sales tax was paid), supplier information, and descriptions of merchandise sales should be obtained to substantiate the reporting issues.

Important issues to analyze and make note of include, but are not limited to, the following:

- Nature of the business vs. reported sales.
- Sub-locations – When sub-locations are involved, the SCOP representative must determine if the sub-locations are properly registered and start dates should be verified. SCOP staff should also verify if the sales and use taxes are being reported properly. If it appears there may be discrepancies on the sales reported for the sub-location(s), a BOE-1164 should be generated.
- Size/Scope of business – The SCOP representative should provide a description of the size of the business (i.e. square footage, number of tables/chairs, number/size of shelves, inventory, etc.).
- Customer traffic flow.
- Number of employees – This information can be obtained through observation during the business visit or through EAT information.
- Days and hours of operation.

PROCESSING THE BOE-1164 1035.020

The BOE-1164 forms need to be extracted and processed by the in-office SCOP staff. The extracts should take place on a weekly basis, preferably on the last working day of the week. The SCOP representatives should provide to the BOE-1164 reviewer any supporting documents obtained so that the BOE-1164 reviewer can determine how to proceed with the account.

In the event the BOE-1164 needs additional information to substantiate a tax lead, the BOE-1164 reviewer will recommend further investigation to be done. The BOE-1164 reviewer may request the necessary documentation from the taxpayer and/or order the necessary documents to proceed.

SPECIAL TAXES ACCOUNTS 1035.030

While reviewing and processing the BOE-1164 forms, the reviewer must determine whether the sales and use tax account has any related special tax accounts (Excise Tax, Fuel Tax, or Environmental Fees). If a BOE-1164 is generated for a sales and use tax account that also has a related special tax account, a hard copy of the BOE-1164 must be forwarded to the appropriate unit in the Special Taxes and Fees Division.

BOE-1164 TRACKING 1035.040

If a BOE-1164 was generated and uploaded to the SCOP database prior to 7/1/09, the status of that BOE-1164 was tracked using the *1164 & Amended Return Track Sheet Excel* file. If the BOE-1164 was uploaded on or after 7/1/09, the status of that BOE-1164 is tracked in the "1164 Tracking" on the SCOP database. The hard copy of the BOE-1164 should be placed in a central location, with a chronological timeline of significant taxpayer and SCOP team actions written on the back of the BOE-1164.

NOTE: If an amended return is recommended, please refer to *Amended Return Procedures* for more information.

EXTERNAL AGENCY TRACKING (EAT), LEXIS NEXIS, ACCURINT, AND OTHER PROGRAMS 1035.050

If the BOE-1164 shows there is a potential discrepancy in the tax reported by the taxpayer, there will be at least one SCOP staff member who will have the ability to respond to the SCOP staff's request for any EAT information requested. EAT information necessary to proceed with the investigation should be requested. Some examples of specific EAT information that should be routinely reviewed if it appears to be a positive audit lead are: the electronic filing of the income tax returns, Schedule C, reported employee information on EDD, etc. LexisNexis, Accurint, Windata, and Federal Tax Information (requested via BOE-33, *Record of Authorized Examination of Federal Income Tax Returns*) must be requested and reviewed when deemed necessary to analyze an account.

ACCOUNTS RECOMMENDED FOR AUDIT 1035.060

If the BOE-1164 provides adequate information to support an audit, SCOP staff will need to justify the recommendation by documenting their investigation and providing any necessary supporting documentation. This will assist the BTA I in reviewing and approving the audit recommendation. When the BTA I has approved the recommendation for audit, the audit referral should be discussed with the District Principal Auditor (DPA) and/or District Administrator.

The audit referral along with all supporting documentation should be forwarded to the district of account. If the district of accounts is outside the immediate SCOP office, a memorandum should be sent from the originating SCOP office's District Administrator to the receiving District Administrator. If the account is selected for audit, the audit FO will need to be tagged with a lead source tag. The audit must be completed in order to conclude the SCOP assignment in the SCOP database.

Comments regarding the SCOP visit should be entered in IRIS when referring an account for audit. The subject line on all comments should contain the word "SCOP."

REVIEW PROCESS 1035.070

The status of all assignments on the 1164 Tracking in the SCOP database should be reviewed on a monthly basis to make sure they are completed timely and accurately. A review of the data should be made to make sure the correct information is being entered. Edits should be made as necessary. If an assignment is not complete and it is determined the assignment cannot be resolved with the submission of amended returns, the BTA I will need to determine the appropriate action to complete the assignment, for example, proceeding with an FBO and/or an audit recommendation.

LEAD SOURCE TAG FOR ACCOUNTS REFERRED TO OTHER SCOP TEAMS FOR PROCESSING 1035.080

If one SCOP team visits a business, notices potential underreporting issues, generates a BOE-1164, and it is later determined that the account or business falls within the territory of another SCOP team, the processing guidelines are as follows:

- If the BOE-1164 is an audit lead for district audit staff to handle: After the BOE-1164 has been reviewed and it has been determined an audit is warranted, the BOE-1164 along with all supporting documentation should be forwarded to the district of account. If the BOE-1164 is being forwarded to a district with a SCOP team, it should be addressed to the SCOP BTA I. The FO should be tagged in IRIS by the originating SCOP team regardless of whether the referral later results in an audit or FBO.
- If the BOE-1164 is for a business found to be operating without a seller's permit: The originating SCOP team will verify the start date, issue the seller's permit and tag the account in IRIS. If the originating SCOP team chooses not to issue the permit and sends the information to another SCOP team to be worked (i.e. in cases where staff will need to contact the taxpayer for a permit), the receiving SCOP team will issue the seller's permit and tag the account in IRIS.
- If the BOE-1164 is for amended returns: If the originating SCOP team pursues the filing of an amended return by working with the taxpayer to obtain the amended returns, the originating SCOP team should track the additional revenue. If the BOE-1164 is sent to another SCOP team to handle, the receiving SCOP team will enter the amended return on their 1164 Tracking in the SCOP database.
- If the BOE-1164 is for an FBO created by SCOP: If the originating SCOP team processes the BOE-1164 and creates a FBO, the originating SCOP team should tag the account. If the originating team only identifies the lead and refers the BOE-1164 to another SCOP team for processing, the receiving SCOP team should tag the account if a FBO is subsequently created.

ACCOUNTS REFERRED TO NON-SCOP DISTRICTS FOR AUDIT 1035.090

All efforts should be exhausted by SCOP teams to resolve all issues documented on the BOE-1164. In the event an issue cannot be resolved by the SCOP team and an audit is recommended, the BTA I should request the District Compliance Principal to route the account to the appropriate non-SCOP district to handle the audit. All applicable documents/information should be forwarded to the non-SCOP district to assist with actions that need to be taken.

If the account is selected for audit, the DPA in the non-SCOP district will need to tag the audit FO with the proper lead source tag. SCOP staff will need to follow up with the non-SCOP district for the status of actions taken and proper notes will need to be entered on the 1164 tracking in the SCOP database. The status should be reviewed on a monthly basis until all outstanding issues are resolved.

FIELD BILLING ORDER (FBO) PROCEDURES 1040.000

ASSIGNING AND PROCESSING THE FBO 1040.010

In general, FBOs should only be assessed when SCOP staff has exhausted all other means to gain voluntary compliance and/or it is impossible or impractical to obtain amended returns from the business owner. In addition, a FBO should only be used in circumstances where a liability is disclosed and it has been determined that a more in-depth audit investigation is not warranted. (See Chapter 2 of the Audit Manual for additional FBO guidelines).

In a SCOP team, only a SCOP BTS I has the ability to issue FBOs. The BTA I has the ability to add and update fields in the AUD library in IRIS in order to create the FBO case, make the assignment to the BTS I and change the life cycle. The BTA I or the BTS I should be responsible for tagging the FO with the proper lead source tag when the FBO is created.

Once a FBO has been prepared and submitted, the BTA I should make every effort to process and approve the FBO within three (3) business days of receipt. After approval, the FBO should be forwarded to audit control for processing and then to the district Audit Reviewer for review and transmittal to headquarters for billing.

If a BOE-1164 results in an FBO, and it was uploaded to the SCOP database prior to 7/1/09, the status of that FBO was tracked using the 1164 & Amended Return Track Sheet Excel file. If the BOE-1164 was uploaded to the SCOP database on or after 7/1/09, the status of that FBO will be tracked in the 1164 Tracking from the SCOP database. The hard copy of the BOE-1164 from which the FBO was generated should be placed in a central location with a chronological timeline of significant taxpayer and SCOP team actions written on the back of the BOE-1164.

If the business owner disagrees with the FBO, the normal appeals process is followed. The business owner will have all the rights afforded to him as if the FBO had been issued during the normal audit process. The BTA I should be responsible for conducting the 10-day meeting.

Comments regarding the SCOP visit should be entered in IRIS when creating an FBO case. The subject line on all comments should contain the word “SCOP.”

LEAD SOURCE TAG FOR ACCOUNTS REFERRED TO OTHER SCOP TEAMS FOR PROCESSING 1040.020

Please see the applicable section in *Audit Memorandum of Possible Tax Liability (BOE-1164) Procedures*

COMPLIANCE ASSESSMENT (CAS) PROCEDURES 1045.000

DELINQUENCIES INVOLVING TAXPAYERS OPERATING WITHOUT A PERMIT1045.010

There are several actions that can be recommended by the BOE-1164 reviewer when a BOE-1164 is generated (see CPPM § 1035.000, *Audit Memorandum of Possible Tax Liability (BOE-1164) Procedures*). One of the options includes creating a Compliance Assessment (CAS). If recommended by the BOE-1164 reviewer, a CAS should be pursued for any eligible periods for which returns have not been filed.

If a BOE-1164 was uploaded to the SCOP database prior to 7/1/09, the status of that BOE-1164 was tracked using the 1164 & Amended Return Track Sheet Excel file. If the BOE-1164 was uploaded on or after 7/1/09, the status of the BOE-1164 will be tracked in the 1164 Tracking from the SCOP database. The hard copy of the BOE-1164 from which the CAS was generated should be placed in a central location, with a chronological timeline of significant taxpayer and SCOP team actions written on the back of the BOE-1164.

In addition to tracking the status of a CAS, the account or FO must be tagged in IRIS with the applicable lead source tag (SCP or SCF).

NOTE: Although an account may be tagged at the account or FO level, the account will not appear on the SCOP lead source tag reports unless delinquencies are cleared and/or FO's are filled with either an audit, FBO, or CAS.

SCOP staff must follow the general guidelines for processing a CAS as provided in the CPPM §540.170: Operations Memorandum 1130, *Address Changes and Returned Mail – Determinations* and Operations Memorandum 1062, *Requesting Cancellation of DMV Dealer Licenses*. Operations Memorandum 1130 establishes a policy which prohibits the processing of more than two CASs in any 12-month period to clear delinquencies for a specific account. Operations Memorandum 1062 states that a CAS may not be issued to active delinquent accounts that have a valid dealer's license.

HOW TO HANDLE DELINQUENCIES 1045.020

As with any collection issue, prompt and timely follow-ups will make sure business owners comply and voluntarily file and pay their delinquent tax liabilities. SCOP staff should follow these general steps:

1. Business owners are given general instructions by BOE district office registration staff regarding the filing of returns at the time they apply for a seller's permit. It is important that SCOP staff inform the business owner, subsequent to registration, that they have an obligation to immediately file and pay their delinquent sales tax returns. For applications that are processed by mail, a notice should be included with the registration packet advising the taxpayer to file and pay the delinquent returns electronically within two weeks.
2. A follow-up should be done after three weeks from the date the permit was issued. If IRIS shows the taxpayer did not file the returns, SCOP staff should make a telephone call to the business owner and request that delinquent sales tax returns be filed and paid immediately. The business owner should be advised that a billing may be generated if they do not file.

HOW TO HANDLE DELINQUENCIES (Cont.) 1045.020

3. If, after the telephone call, the business owner fails to comply by the due date provided, a Notice to Appear (NTA) should be sent indicating a specific date and time for an appointment.
4. If the business owner fails to comply with the NTA, the CAS should be processed to clear the delinquent periods involved. The BOE-220-I, BOE-1164 and/or the application information should be reviewed to determine the appropriate taxable measure. Comment information should be entered into IRIS with a subject line title: SCOP CAS, along with a summary of the efforts made to clear the delinquency and the basis for the CAS. Once the CAS is billed, the account will be handled as a regular collection account and will be assigned to a BOE district collector.

DELINQUENCIES INVOLVING BOE-1164 REFERRALS RETAINED BY SCOP 1045.030

There may be situations where a delinquent account that is assigned to a BOE district collector is also being worked by SCOP staff for a CAS. The BOE-1164 referral information and any discussion with the taxpayer needs to be relayed to the assigned BOE district collector and documented in ACMS notes. The BOE district collector will remain responsible, in ACMS, for taking action to collect the delinquency and any other amount due.

WHEN RETURNS ARE NOT FILED AS PROMISED 1045.040

The business owner must be afforded a reasonable opportunity to voluntarily file any delinquent returns in the same manner as any delinquent account. If the business owner fails to voluntarily file the sales and use tax returns after such time, SCOP staff should use the CAS procedure to clear the delinquencies. The BOE district collector should be provided with the BOE-1164 referral information and any additional supporting evidence gathered during the investigation to assist the district collector in establishing a more accurate estimate of the taxable measure. This may include FTB and EDD information, purchase records, business operating expenses such as rent, and an estimate of monthly sales, etc.

AMENDED RETURN PROCEDURES 1050.000

OVERVIEW 1050.010

A BOE-1164 is prepared when a potential discrepancy in the reported tax is observed, and it is submitted to the BOE-1164 reviewer for review. There are several actions that can be recommended when a BOE-1164 is generated *(see CPPM § 1035.000, Audit Memorandum of Possible Tax Liability (BOE-1164) Procedures*). One of the options includes allowing the business owner to amend their sales and use tax return(s). If recommended, amended returns should be pursued for any eligible periods.

If a BOE-1164 was uploaded to the SCOP database prior to 7/1/09, the status of the BOE-1164 was tracked using the 1164 & Amended Return Track Sheet Excel file If the BOE-1164 was uploaded to the SCOP database on or after 7/1/09, the status of the BOE-1164 will be tracked in the 1164 Tracking from the SCOP database. The hard copy of the BOE-1164 from which the amended return was generated should be placed in a central location, with a chronological timeline of significant taxpayer and SCOP team actions written on the back of the BOE-1164.

Comments regarding the SCOP visit, return periods in question, and a contact name and phone number should be entered in IRIS when working with a taxpayer to amend their sales and use tax returns. The subject line on all comments should contain the word "SCOP."

CONTACT WITH TAXPAYERS 1050.020

If during or after a business visit it is determined amended returns are needed, the SCOP staff requesting the amended returns should explain to the business owner that there appear to be discrepancies between the taxable sales reported on the sales and use tax returns that we have on file and the actual business operations. The SCOP staff recommending the amended returns should note any relevant information, either at the time of the visit, or during a follow-up contact with the business owner.

When requesting amended returns, the business owner should be reminded that this is an opportunity for them to voluntarily comply with reporting their sales and use taxes correctly by providing the amended returns and supporting documents. If accurate amended returns are not filed, other methods to resolve tax compliance issues may be taken, such as assessing an FBO, and/or recommending an audit. The taxpayer should receive a clear explanation of why the amended returns are necessary (i.e. based on SCOP staff's observation during the visit or information obtained from third party sources such as Accurint, LexisNexis EAT, etc.), and the taxpayer should be given sufficient opportunity to voluntarily comply or satisfactorily explain and document the reason for the discrepancy.

The requesting SCOP staff should also inform the taxpayer that filing amended returns does not prevent further BOE activity, such as an audit or refund, for the same period(s) in question. When verbal requests to obtain amended returns are made, SCOP staff should document such requests in the SCOP database. In the cases where the BOE-1322-D –SCOP – Letter to Business – Follow-up, letter is mailed, a copy should be sent to the taxpayer's representative if the taxpayer has designated one.

HOW TO FILE AMENDED RETURNS 1050.030

To properly report amended figures, copies of the original return(s) should be used whenever possible with the original figures crossed out and the corrected figures entered to the side of the original figures. Business owners should keep copies for their own records. At the top of the return, "SCOP AMENDED RETURN – DO NOT PROCESS AS ORIGINAL" should be noted. The business owner should be instructed to verify all amended returns and resolve any district tax shortages or computational errors prior to submitting the amended returns.

If the business indicates that they have been reporting the correct figures, the business owner should be given the opportunity to support their claim by submitting documents such as income tax returns, sales tax return worksheets, invoices, etc.

If, during the SCOP visit, the taxpayer asks staff to communicate directly with a representative, SCOP staff should honor that request. See Audit Manual §0222.40 for additional information.

NOTE: Billings for corrected returns must be made within three years from the date the original return was filed (R&TC §6487).

DEADLINES 1050.040

A due date should be established, and it should be explained that if an amended return results in additional taxes due, interest will be due and additional penalties may apply. Prompt payment of the liability should be made to prevent the accrual of additional interest and penalty. In addition, if an amended return results in an overpayment, the business owner should be referred to publication 117, *Filing a Claim for Refund* for information on how to claim a refund.

The following procedures must be followed when the taxpayer does not follow up with the submission of the amended returns after attempts to gain compliance have been made by the BOE:

- Be cost effective and time efficient in the decision making process.
- Proper documentation and justification for all actions must be made. Generally, the BOE-1164 reviewer will follow up with a further action, such as an FBO and/or an audit referral if the taxpayer does not comply.
- If the BOE-1164 indicates that on the day of the business visit a due date was already provided to the taxpayer to submit the amended returns to the BOE, SCOP staff will need to follow up to make sure collection of the amended returns is successful.
- If the BOE-1164 indicates there has not been a due date set to submit the amended returns; SCOP staff should contact the taxpayer, by letter or phone, and request the amended returns. A due date should then be given and documented.
- The BOE-1322-D, SCOP – *Letter to Business – Follow-up,* letter should be mailed to notify the taxpayer of the potential discrepancy in the reported taxable sales and to request the taxpayer to review their records and amend any applicable returns (see Exhibit 5).
- If the amended returns are still not received after the established initial deadline, SCOP staff may need to send, via first class mail a BOE-420, *Notice to Appear,* requesting the amended returns and providing a due date.

<u>*NOTE:*</u> Every account is different and may need additional work.

PROCESSING AMENDED RETURNS 1050.050

If and when the amended returns are received, they must be reviewed for accuracy. If approved, the amended return figure (including applicable tax, penalty and interest) will need to be entered on the 1164 *Tracking* in the SCOP database. The original tax should also be entered so the tax difference can be automatically calculated.

The amended returns should be submitted to Return Analysis Unit (RAU) under the following procedure:

1. Mark the amended return(s) with "SCOP" across the top.
2. Forward the amended return(s) to the Return Analysis Unit (MIC: 35) for processing.

This will assist the RAU in tracking the workload generated from the SCOP program.

REVIEW PROCESS 1050.060

On a weekly basis, the BTA I should review the 1164 *Tracking* in the SCOP database for the status of all assignments created to make sure they are completed timely. A review of the data should be made to make sure the correct information is being entered. Edits should be made as necessary. If an assignment is not complete and it is determined the assignment cannot be resolved with the submission of amended returns, the BTA I will need to determine the appropriate action in order to complete the assignment (i.e. proceeding with an FBO or an audit recommendation).

VOLUNTARILY FILED RETURNS SUBJECT TO VERIFICATION 1050.070

In the course of working the BOE-1164s, it is essential for SCOP staff to inform the business owner of the issues noted on the BOE-1164 referral and advise them of the proper application of the law. Doing so will generate more accurate returns for future periods. SCOP staff should review all voluntarily filed returns for accuracy

LEAD SOURCE TAG FOR ACCOUNTS REFERRED TO OTHER SCOP TEAMS FOR PROCESSING 1050.080

Please see CPPM § 1035.080, *Lead Source Tag for Accounts Referred to Other SCOP Teams for Processing*.

MISCELLANEOUS SCOP PROCEDURES 1055.000

SPEAKING ENGAGEMENTS 1055.010

If a SCOP team receives a request to speak at a non-BOE sponsored activity and decides to participate, an email needs to be sent to the "SUTD-SCOP Coordinators" email box indicating: the type/name of event; date/time; and the name of the SCOP speaker. This email should be sent as soon as the SCOP team accepts the request.

Per Memorandum, Participation in Non-Board Sponsored Activity – Statewide Compliance and Outreach Program Speaking Engagement, dated December 9, 2008, from the Deputy Director, the SCOP coordinators in HQ are required to submit a monthly list of all scheduled events to the Executive Director.

REFERRALS FROM INVESTIGATIONS DIVISION OR OTHER UNITS 1055.020

The Investigations Division (ID) receives complaints from various sources and forwards them to the SCOP coordinator(s) for handling. The complaints will either involve a seller of tangible personal property without a valid seller's permit or a seller that is not collecting the applicable sales or use taxes. After a complaint is received, a SCOP coordinator will log it onto the district's *ID Complaints Tracking Sheet*, which is located on the Team's SCOP/Tracking Spreadsheets folder and forward the complaint to the applicable SCOP team.

Ebay/Craigslist/Amazon referrals from the Data Analysis Section, and miscellaneous referrals from within the district or from the SCOP coordinator(s) can also be tracked using the *ID Complaints Tracking Sheet*.

The status of all referrals should be entered on the *ID Complaints Tracking Sheet* and maintained by a designated SCOP person. If an actual visit is conducted, detailed comments should be entered onto the SCOP database and the applicable special event code should be used. Please contact the SCOP coordinator(s) if you need to obtain a special event code.

SPECIAL EVENTS 1055.030

SCOP Teams spend approximately 20 percent of their time working on focused projects, such us attending shows, fairs, and swap meets; working miscellaneous leads; participating in joint efforts with the Labor Enforcement Task Force (LETF); or working on focused industry projects.

Prior to attending or working a focused project or event, the SCOP team should contact the SCOP coordinator(s) to obtain a special event code. The assigned special event code should be added to all records generated for that event in the SCOP database.

LABOR ENFORCEMENT TASK FORCE (LETF) PROCEDURES 1055.040

The LETF is comprised of the following departments: EDD, State Contractor's Licensing Board, and Department of Industrial Relations. The LETF superseded the Economic Employment Enforcement Coalition (EEEC). At the implementation of the SCOP, the Legislature mandated for the SCOP to join efforts with the EEEC. The SCOP has elected to continue participating in joint sweeps with the LETF for selected industries (i.e. auto body, and restaurants).

An LETF representative will contact the SCOP coordinator(s) with the date and location of an event approximately one week prior to a sweep. The SCOP coordinator(s) will contact the appropriate SCOP team to request the name and contact information of the SCOP representative (s) available to attend. LETF is a highly confidential program and all the information prior to the event should be kept confidential.

LABOR ENFORCEMENT TASK FORCE (LETF) PROCEDURES (CONT.) 1055.040

When SCOP representatives attend an LETF sweep, the following guidelines must be followed:

- SCOP representatives are expected to visit other nearby businesses while they wait for the other LETF team members to complete their inspections. An exception to this would be if the LETF team leader instructs the SCOP representative to stay with the team and not canvass on their own due to safety reasons. SCOP representatives should always remain in contact with the LETF team leader.
- For tracking purposes, SCOP representatives should initiate the recording of all LETF visits on the SCOP database during the time of the actual visit.
- All visits conducted while participating in the LETF sweep should be tagged with special event code **005** in the SCOP database.
- The SCOP LETF stats worksheet should be completed and emailed to the SCOP coordinator(s) within five days after the LETF event. This worksheet will be used to gather statistics on the LETF sweeps for the Labor and Workforce Development agency. The LETF statistics worksheet template is located in each team's SCOP/Tracking Spreadsheets folder.

Table of Exhibits

SAMPLE TAXPAYER CONTACT LETTER..... Exhibit 1
SAMPLE ZIP CODE TRACKING SHEET..... Exhibit 2
SAMPLE CITY/COUNTY CONTACT LETTER..... Exhibit 3
SAMPLE CITY/COUNTY LETTER OF POTENTIAL.....
UNPERMITTED SELLERS ..... Exhibit 4
SAMPLE TAXPAYER FOLLOW-UP LETTER..... Exhibit 5

SAMPLE TAXPAYER CONTACT LETTER

EXHIBIT 1

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001
916-123-4567 • FAX 916-123-4567
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

SEN. GEORGE RUNNER (RET.)
Second District, Lancaster

MICHELLE STEEL
Third District, Orange County

JEROME E. HORTON
Fourth District, Los Angeles

JOHN CHIANG
State Controller

CYNTHIA BRIDGES
Executive Director

Date

Business Owner
DBA
Business Address
City, State, Zip

RE: Account Number

Dear Business Owner:

As a business owner with a seller's permit issued by the Board of Equalization (BOE), you may already know about California's general sales and use tax permit requirements. However, depending on the type of business you operate, you may be required to hold additional BOE issued permits or licenses.

Some businesses do not obtain all the proper permits or licenses required by law, which gives them an unfair advantage over businesses that do follow the law. The BOE's objective is to educate business owners, increase tax compliance, and help make our state tax system fair. In order to accomplish this, we have implemented the Statewide Compliance and Outreach Program (SCOP) to educate business owners about their responsibilities, and to register unlicensed businesses so they are in compliance with the law.

Under the SCOP, BOE representatives (SCOP Specialists) will visit your business location (nonresidential) in order to help you learn more about the tax laws and regulations that apply to your business. Visits to businesses within the zip code for the account referenced above may begin as early as two weeks from the date of this letter; however, visits may be delayed several weeks depending on the length of visits to businesses in other zip codes. The SCOP specialists generally remain in the area until all business locations within the zip code have been visited. They will ask to see your seller's permit (which should be displayed in a visible location at all times) and will ask about any other tax and fee licenses or permits that you hold. This visit will present the opportunity for you to ask any questions. During their visit, the SCOP specialists will update the BOE account information we have for your business. If you have changed the type of sales you make or if you have changed your phone number, we will update our records for you. The SCOP specialists will ask you for information about your business operations to update your BOE file information, to make sure you understand your reporting requirements, and to provide guidance for proper reporting.

For more information about the SCOP, visit our website at *www.boe.ca.gov/sutax/SCOP_Overview.htm.* For information on permit requirements, questions you may have about the application of tax, or questions about any tax and fee programs we administer, please visit our website at *www.boe.ca.gov* or call our Taxpayer Information Section at 800-400-7115. Staff are available Monday through Friday 8:00 a.m. to 5:00 p.m., Pacific time, excluding state holidays.

If you have questions regarding our upcoming visit, please call the SCOP BOE district office at [telephone number]. Our staff will be happy to answer your questions.

Sincerely,

Sales and Use Tax Department
State Board of Equalization

eFile now, find out how . . . *www.boe.ca.gov*

e·file BOARD OF EQUALIZATION

SAMPLE ZIP CODE TRACKING SHEET

EXHIBIT 2

AA ZIP CODE TRACKING SHEET

*SCOP TEAMS MAY NOT START CANVASSING SELECTED ZIP CODES UNTIL 2-3 WEEKS AFTER THE MAIL DATE.

	ZIP CODE	CITY / COUNTY Bold fields can't be changed.	PERMIT COUNT	# OF BTCS/ BTR's	EST. VISITS PER DAY	EST. DAYS TO FINISH	MAIL DATE * (DET. BY HQ)	EST. START DATE mm/dd/yy	ACTUAL START DATE mm/dd/yy	ACTUAL END DATE mm/dd/yy	ZIP CODE COMPLETE (Yes or No?)	COMMENTS
1						#DIV/0!						
2						#DIV/0!						
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SAMPLE CITY/COUNTY CONTACT LETTER

EXHIBIT 3

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
[SCOP District Contact Information]
[SCOP District Contact Information]
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

SEN. GEORGE RUNNER (RET.)
Second District, Lancaster

MICHELLE STEEL
Third District, Orange County

JEROME E. HORTON
Fourth District, Los Angeles

JOHN CHIANG
State Controller

CYNTHIA BRIDGES
Executive Director

[Date]

[City/County Name]
ATTN: [Representative's Name]
[Address]
[City, CA Zip]

Dear City Representative:

This letter is to advise you of the Board of Equalization's (BOE) plan to visit businesses located in your city within zip code[(s) XXXXX] as part of the Statewide Compliance and Outreach Program (SCOP). The BOE is visiting businesses throughout the state to ensure they have all permits and licenses required for programs administered by the BOE. BOE's goal is to register unlicensed businesses so there is not an unfair advantage over those that are properly registered. This ensures the state tax system is fair for everyone.

During the visits, SCOP staff identify themselves and request to see the seller's permit, if required, which should be displayed in a visible location at all times. They also ask about other tax and fee permits or licenses a business owner may be required to hold, including city business licenses.

The visits help business owners learn more about the BOE's tax laws and regulations that apply by giving them an opportunity to ask any questions about BOE programs. The visits also allow the BOE to update registration information.

If you have any questions regarding the upcoming visits, any tax and fee programs the BOE administers, or permit requirements, please visit the BOE's website at *www.boe.ca.gov*. Publication 164, *Statewide Compliance and Outreach Program*, provides additional information regarding SCOP and can also be obtained from the BOE's website. Or, you may call SCOP staff at the number listed above or contact the SCOP Administrator in your area, [SCOP Administrator's name and telephone number].

Sincerely,

[Name]
Statewide Compliance and Outreach Coordinator
Sales and Use Tax Department

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SAMPLE CITY/COUNTY LETTER OF POTENTIAL UNPERMITTED SELLERS

EXHIBIT 4

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
[SCOP District Contact Information]
[SCOP District Contact Information]
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

SEN. GEORGE RUNNER (RET.)
Second District, Lancaster

MICHELLE STEEL
Third District, Orange County

JEROME E. HORTON
Fourth District, Los Angeles

JOHN CHIANG
State Controller

CYNTHIA BRIDGES
Executive Director

[Date]

Name of City/County
ATTN: Contact Name
Street Address
City, State, Zip

Dear City Representative:

The Board of Equalization (BOE) has conducted numerous visits to businesses in your area under the Statewide Compliance and Outreach Program (SCOP). The outreach program is intended to:

- Ensure businesses have all tax and fee permits and licenses required for programs administered by the BOE,
- Ensure that our records for the businesses are correct,
- Help business owners learn more about the sales and use tax laws and regulations that apply to their business, and
- Present the opportunity for owners to ask questions.

During the visits, our specialist asked to see the businesses' local license and made note of any businesses that may be operating without one. This letter is to notify you of those we found in your area that may be operating without a city business license. The enclosed report is a listing for the zip code[s] XXXX within your city area limits. This report contains the following information for each business location: *date of visit, owner/taxpayer name, dba, physical location address, mailing address, and business phone number*. We are forwarding you this report for your information so that your office may take any action it deems necessary.

****The enclosed information is confidential and its use is limited pursuant to section 7056 of the Revenue and Taxation Code.*

If you have any questions regarding this report, please contact the SCOP Supervisor in your area, [SCOP Administrator's name and telephone number]

Sincerely,

[Name]
Statewide Compliance & Outreach Coordinator
Sales and Use Tax Department

Enclosure: No City/County Business License Report

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SAMPLE TAXPAYER FOLLOW-UP LETTER

EXHIBIT 5

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
[SCOP District Contact Information]
[SCOP District Contact Information]
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

SEN. GEORGE RUNNER (RET.)
Second District, Lancaster

MICHELLE STEEL
Third District, Orange County

JEROME E. HORTON
Fourth District, Los Angeles

JOHN CHIANG
State Controller

CYNTHIA BRIDGES
Executive Director

[Date]

[Taxpayer's Name]
[Taxpayer's DBA]
[Address]
[City, CA Zip]

RE: [Account #]

Dear [Taxpayer's Name]:

On [VISIT DATE], a Board of Equalization (BOE) representative visited your business as part of the Statewide Compliance and Outreach Program (SCOP) to help you learn about the laws and regulations that apply to your business and to make sure that you have the state tax and fee permits and/or licenses you need.

Upon further review of your business operations, state records, and information gathered during our visit, it appears there may be a discrepancy in the taxable sales you reported on your sales and use tax return(s) for the reporting period(s): [XXXXX]. The potential discrepancy might be due to a difference in non-taxable deductions claimed.

Please review your records for the above reporting period(s) to determine if there was an error on your original return(s). If you determine that the original return(s) filed were incorrect, please amend your return(s) for all applicable periods, using the following guidelines:

- Make a copy of your original sales and use tax return(s). Cross out the original figures and enter the corrected figures on the side. If you efiled your original return, you should use a copy of your Confirm Filing Page to reflect the corrected figures.
- Write "SCOP AMENDED RETURN—DO NOT PROCESS AS ORIGINAL" on the top of the return. **NOTE:** If a copy of your original return is not available, please use the enclosed return form, write the above statement at the top and make copies as needed for additional periods that need to be amended.
- Report the total amount for the reporting period(s), not just the difference between what was originally reported and what is actually due.
- Make copies for your records.
- Submit your amended return(s) using the enclosed envelope by [DUE DATE].

Please note: The filing of an amended return does not prevent further BOE activity, such as an audit or refund, for the same period(s) in question.

If additional taxes are due, penalties and interest may apply. A prompt response with payment of any additional liability may limit the accrual of interest. If an amended return results in an overpayment, please refer to publication 117, *Filing a Claim for Refund*, for information on how to claim a refund and the deadline for filing a claim. This publication is available on our website at *www.boe.ca.gov/pdf/pub117.pdf.*

If you do not respond, the BOE may proceed with an assessment of additional taxes due, based on all relevant information in its possession. If you believe your original return(s) were filed correctly, or if you have any questions regarding this request, please contact me at XXX-XXX-XXXX.

Enclosure

Sincerely,

[NAME]
[TITLE]
[DISTRICT] Compliance and Outreach Team

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