PROCESS FOR REVIEWING LOCAL TAX REALLOCATION INQUIRIES 905.000

DEFINITIONS 905.010

Inquiring Jurisdictions and Their Consultants (IJC). Means any city, county, city and county, or transactions and use tax district of this state which has adopted a sales or transactions and use tax ordinance and which has entered into a contract with the Board to perform all functions incidental to the administration or operation of the sales or transactions and use tax ordinance of the city, county, city and county, or transactions and use tax district of this state. Except for submittals under Revenue and Taxation Code section 6066.3, IJC also includes any consultant that has entered into an agreement with the city, county, city and county, or transactions and use tax district, and has a current resolution filed with the Board which authorizes one (or more) of its officials, employees, or other designated persons to examine the appropriate sales, transactions, and use tax records of the Board.

Claim (Inquiry) of Incorrect or Non Distribution of Local Tax. Except for submittals under Revenue and Taxation Code section 6066.3, "claim or inquiry" means a written request from an IJC for investigation of suspected improper distribution of local tax. The inquiry must contain sufficient factual data to support the probability that local tax has been erroneously allocated and distributed. Sufficient factual data must include at a minimum all of the following for each business location being questioned:

1. Taxpayer name, including owner name and fictitious business name or d.b.a. (doing business as) designation.
2. Taxpayer's permit number or a notation stating "No permit number."
3. Complete business address of the taxpayer.
4. Complete description of taxpayer's business activity(ies).
5. Specific reasons and evidence why the taxpayer's allocation is questioned. (In cases where it is submitted that the location of the sale is an unregistered location, evidence that the unregistered location is a selling location or is a place of business, as defined by Regulation 1802, must be submitted. In cases that involve shipments from an out-of-state location and claims that the tax is sales tax and not use tax, evidence must be submitted that there was participation by an in-state office of the out-of-state retailer and that title to the goods passed in this state.)
6. Name, title, and phone number of the contact person.
7. The tax reporting periods involved.

Date of Knowledge. Shall be the date the inquiry of suspected improper distribution of local tax that contains the facts stated above is received by the Board, unless an earlier such date is operationally documented by the Board. If the IJC is not able to obtain the above minimum factual data, but provides a letter with the inquiry documenting IJC efforts to obtain each of the facts required above, the Board will use the date this inquiry is received as the date of knowledge.

Board Management. Consists of the Executive Director, Chief Counsel, Assistant Chief Counsel for Business Taxes, and the Deputy Director of the Sales and Use Tax Department.

SUBMITTING INQUIRIES 905.0240

To expedite processing, requests should be submitted by the inquiring jurisdiction or consultant (IJC) on Form BOE–549–L, *Claimed Incorrect Distribution of Local Tax — Long Form,* or BOE–549–S, *Claimed Incorrect Distribution of Local Tax — Short Form*. The BOE 549-L is used for complex local tax reallocation issues such as sales tax vs. use tax, place of sale, or other complex issues where more information is needed. The BOE 549-S is used for simple tax reallocation questions having to do with taxpayers' business addresses or other less complex matters. These forms are available on the BOE website. All inquiries are to be sent directly to ~~the Board's~~ headquarters ~~office~~, rather than to a district office. Inquiries should be mailed to:

Allocation Group
Board of Equalization
450 N Street, MIC 39
P.O. Box 942879
Sacramento, CA 94279–0039

(For inquiries under Revenue and Taxation Code section 6066.3, see CPPM 905.090)

ACKNOWLEDGMENT OF INQUIRY/DATE OF KNOWLEDGE 905.0320

It is the Allocation Group's Policy to acknowledge inquiries within 30 calendar days of receipt by the Board. ~~All inquiries will be acknowledged by the Allocation GroupThey~~ Inquiries will be logged in by ~~account~~ permit– number (if any), jurisdiction (if known), and consultant firm (if any).

If the inquiry contains sufficient factual~~s~~ data to support ~~indicate~~ the probability that local tax has been erroneously allocated~~of a misallocation~~ and distributed (as stated above under the definition for Claim/Inquiry of Incorrect or Non Distribution of Local Tax, CPPM 905.010), the date of knowledge will be the date the inquiry was received by the Board unless there is ~~a~~ an~~prevailing~~ earlier date operationally documented by the Board.
~~established by a Board section or district office.~~
An inquiry is "operationally documented" by the Board when a Board employee questions the allocation based on information contained in Board files (see CPPM 905.070). In such cases, the date of knowledge will be the date the employee questions the allocation, not the date of the information contained in Board files. Since there should be written evidence establishing the date on which the Board obtained knowledge of an improper distribution, this date of knowledge should be properly documented and any applicable forms, such as Form BOE–523, *Tax Return and/or Account Adjustment Notice,*(see CPPM 335.000) should be completed.

As noted in CPPM 905.090 below, an inquiry received from an IJC that is a duplicate of one submitted by the same city to a district office pursuant to Revenue and Taxation Code Section 6066.3 will not be processed. In such case, the date of knowledge established under section 6066.3 will control.

If the inquiry does not contain sufficient facts, and if the IJC has made a good faith effort to obtain sufficient facts but has been unable to do so, the IJC should include a letter with the inquiry, indicating what it has done to obtain those facts. If such a letter is provided and accepted, the Board will~~may~~ use the date the inquiry was received as the date of knowledge.

~~If the inquiry does not contain sufficient facts, it will be returned to the IJC with an explanation.STAFF REVIEW 905.030~~
~~Inquiries accepted for investigation will be coded for type of misallocation and assigned to an auditor. Assignments may coincide with investigations handled by the Local Revenue Allocation Section. The auditor will attempt to resolve all inquiries through correspondence with taxpayers. If for some reason a satisfactory response cannot be obtained, the inquiry may be referred to the appropriate district office for action.~~

~~Whenever any action is taken, such as writing to the taxpayer for information, or if necessary, referring the inquiry to the district office, this action will be noted in the log with the appropriate follow up date (45 days for taxpayers, 60 days for in-state district offices, and 90 days for out-of-state district offices).~~
~~A copy of any correspondence will be sent to the inquiring entity. The IJC should receive copies of correspondence within 90 days of acknowledgment of receipt of the inquiry. The follow ups for each week will be distributed each Monday morning to the auditor for appropriate action.~~

NOTIFICATION OF RESULTS 905.040

After an inquiry has been reviewed, the ~~inquiring entity~~IJC will be notified of the results.

Approved Reallocations
If staff's investigation confirms a misallocation and the recommended reallocation is less than five thousand dollars, a fund transfer will be processed.

All recommended reallocations over five thousand dollars ($5,000) must be approved by the auditor's supervisor. Reallocations based on inquiries over twenty-five thousand dollars ($25,000) must be approved by the Refund Section Supervisor. Reallocations based on inquiries over fifty thousand dollars ($50,000) must be approved by the Headquarters Operations Manager. Once the reallocation is approved at the appropriate level, the fund transfer will be processed. A monthly recap of all approved reallocations will be maintained.

Denied Reallocations
If the auditor recommends that the reallocation request be denied, his or her supervisor will review the recommendation. If the supervisor upholds the denial, the IJC can request subsequent review by the Refund Section Supervisor, the Local Tax ~~Hearing~~ Appeals Auditor~~-~~, and subsequently by a Board Management team, as described below.~~or by a Board Management team, as described below~~ The IJC can also file a petition for hearing by ~~ask the Members of~~ the Board ~~to review a denied inquiry,~~ after the staff's process is complete, as described below.

~~If any previously denied request for reallocation is recommended for approval at any level prior to consideration by Board Management, that recommendation must be reviewed by the Board's legal staff. If the legal staff approves the recommendation, the reallocation will be processed.~~

REVIEW PROCESS 905.050

Auditor's Investigation
Inquiries accepted for investigation will be coded for type of misallocation and assigned to an auditor. Assignments may coincide with investigations handled by the Local Revenue Allocation Section. The auditor will attempt to resolve all inquiries through communication with the taxpayers including contacting the "contact person" identified in the IJC inquiry or other such taxpayer personnel. If for some reason a satisfactory response cannot be obtained, the inquiry may be referred to the appropriate district office for action. Whenever any action is taken, such as writing to the taxpayer for information or, if necessary, referring the inquiry to the district office, this action will be noted in the log with the appropriate follow-up date (45 days for taxpayers, 60 days for in-state district offices, and 90 days for out-of-state district offices). A copy of any correspondence will be sent to the IJC. The follow-ups for each week will be distributed each Monday morning to the auditor for appropriate action.

Note that if at any level of review prior to the Board hearing, it is determined that additional staff investigation is warranted prior to making a decision, a request for such investigation should be directed to the appropriate district office or Board auditor and the IJC will be notified of the results.

Review by the Allocation Group ~~Auditor's~~ Supervisor
The Allocation Group will investigate all accepted inquiries. If the ~~auditor~~ Allocation Group ~~determines~~ concludes that a misallocation has not occurred and recommends that a request for reallocation be denied, ~~his or her supervisor will review the recommendation~~ the IJC will be notified of the recommendation and allowed 30 days from the date of mailing of the notice of denial to contact the Allocation Group Supervisor to discuss the denial. (Note: with assignments that may coincide with investigations handled by the Local Revenue Allocation Section, the Supervisor of the Local Revenue Allocation Section may be consulted. The Allocation Group's notification that a misallocation has not occurred must state the specific facts on which the conclusion is based. If the IJC contacts the Allocation Group Supervisor, the IJC must state the specific facts on which its disagreement is based, and submit all additional information in its possession at the time that supports its position.

~~If the auditor's supervisor upholds the denial, the IJC will be advised in writing of the decision and that it has 30 days from the date of the written denial to file a "petition for reallocation" with the supervisor of the Refund Section. The petition for reallocation must contain the specific grounds on which the IJC is basing its appeal.~~
Review ~~of the Petition for Reallocation~~ by the Refund Section Supervisor
If the Allocation Group Supervisor upholds the denial, the IJC will be advised in writing of the decision and that it has 30 days from the date of mailing of the decision to file a "petition for reallocation" with the Refund Section Supervisor. The petition for reallocation must state the specific reasons for disagreement with the Allocation Group Supervisor's findings. The Refund Section Supervisor will review the request for reallocation and will determine if any additional staff investigation is warranted prior to making a decision. If no basis for adjustment is found, the complete record containing all documentation in the file related to the specific appeal will be forwarded to the Local Tax Appeals Auditor and the IJC will be mailed copies of documentation related to the specific appeal that were not previously provided, consistent with confidentiality requirements (see CPPM 901.050 Non-Disclosable Information.)

~~If a petition for reallocation is filed by the IJC, the supervisor of the Refund Section will review the request for reallocation and determine if any additional information is available that would warrant a reallocation adjustmentIf no basis for adjustment is found, a summary analysis will be prepared detailing both the IJC and the Sales and Use Tax Department's (Department) positions. An appeal file will be created which contains all documentation related to the specific appeal. The Refund Section supervisor will review the summary analysis in conjunction with the documentation in the file. If the Refund Section supervisor concludes that the summary and documentation are complete, the petition for reallocation will be forwarded to the hearing auditor who will schedule a meeting with the IJC.~~

Review by the Local Tax Appeals Auditor
After the petition is forwarded to the Local Tax Appeals Auditor, a conference between the Local Tax Appeals Auditor and the IJC will be scheduled. The IJC may, however, at its option, provide a written brief in addition to, or ~~or additional information~~ instead of, attending the conference. ~~a meeting.~~ If a conference~~meeting~~ is held, the Local Tax Appeals ~~hearing a~~Auditor will consider~~listen, entertain~~ oral arguments, as well as review material previously presented by both the IJC and the Sales and Use Tax Department (SUTD). Unless the Local Tax Appeals Auditor determines that there is the need for additional investigation he or she will base his or her decisions on the IJC's brief, Board staff input, and the information contained in the record. The Local Tax Appeals Auditor will prepare a~~A~~ written Decision and Recommendation (D&R) detailing the facts and law involved and the conclusions reached. ~~will be prepared.~~ The D&R will be sent to the IJC and the SUTD.

Review by Board Management

If the D&R's recommendation ~~in the D&R~~ is to deny the petition, the IJC will have 30 days from the date of mailing of the D&R to file a written request for review~~reconsideration (RFR) with the hearing auditor.~~ ~~Or, the IJC may file a written request for reconsideration of the denial by~~ of the D&R with Board m~~M~~anagement. The request must state the specific reasons for disagreement with the D&R and include any additional information that supports its position. Board management will only consider the petition and will not meet with the IJC. The IJC will be notified in writing of the Board management's decision. If a written request for review of the D&R is not filed with Board management within the 30-day period, the D&R becomes final at the expiration of that period.~~If the IJC files a RFR, the hearing auditor will review any additional information received and issue a written decision. The~~

~~decision will again give the IJC 30 days to file a written request for reconsideration of the denial by Board Management.~~

~~If the recommendation in the D&R is to grant the petition for reallocation, the SUTD will have 30 days in which to file a RFR. The hearing auditor will review any additional information the SUTD provides and issue a written decision. If either party's RFR is granted, the other party then has the right to file a RFR disputing the hearing auditor's findings.~~Review by Board Management

~~The final reconsideration by staff will be a review by a Board Management team consisting of the Executive Director, Chief Counsel, Assistant Chief Counsel for Sales and Use Taxes, and the Deputy Director of the Sales and Use Tax Department. The Board Management Team will only consider the facts as developed. The Board Management Team will not meet with the IJC. A written summary of the facts and conclusions will be prepared in writing and provided to the IJC and the SUTD.~~

Review by Board Members

If Board management's decision is adverse to the IJC, the IJC may file a petition for hearing by the Board. The petition for hearing must state the specific reasons for disagreement with Board management's findings.

Petition for Hearing. The IJC shall file a petition for hearing with the Board Proceedings Division within 90 days of the date of mailing of Board management's decision. If a petition for hearing is not filed within the 90-day period, the Board management's decision becomes final at the expiration of that period.

Persons to be Notified of the Board Hearing. After receiving the IJC's petition for hearing, the Board Proceedings Division will notify the IJC and the following persons of the Board hearing:

1. The taxpayer(s) whose allocations are the subject of the petition.
2. All jurisdictions that would be substantially affected if the Board does not uphold the taxpayer's original allocation (including the jurisdictions within the statewide and countywide pools that would gain or lose money solely as a result of a reallocation to or from the pools in which they participate). A jurisdiction is "substantially affected" if its total reallocation would increase or decrease by the amount of 5% of its average quarterly allocation (generally, the prior four calendar quarters) or $50,000, whichever is less, as a result of a reallocation of the taxpayer's original allocation.

The notification letter will state that the claimed misallocation is being placed on the Board's Hearing Calendar to determine the proper allocation and that the IJC and all jurisdictions so notified are considered parties to the hearing.

The Hearing and Parties to the Hearing. The petitioning IJC and all jurisdictions notified of the Board hearing pursuant to the prior section are parties to the Board hearing. The taxpayer, however, shall not be considered a "party" within the meaning set forth above unless it actively participates in the hearing process by either filing a brief or making a presentation at the hearing. The hearing shall be conducted in accordance with Regulations 5070 to 5087 of the Rules of Practice (http://www.boe.ca.gov/regs/pdf/01rules.pdf — **Rules of Practice**). The Board will make a final decision at the hearing on the proper allocation. The Board's decision exhausts all parties' administrative remedies on the matter.

The Headquarters Local Revenue Allocation Section (LRAS) is responsible for maintaining a threshold notification list with the computed threshold notification amount and pool percentages for each jurisdiction. This list is reviewed and updated by LRAS once every calendar year. For questions regarding this threshold list contact the LRAS.

~~Review by Members of the BoardAn IJC may request any Board Member to bring its request for a reallocation to the Board's attention. If any of the Board Members wish to do so, they may request that the Board hear the matter. However, such a request must be approved by a majority vote of the Board Members.~~

TIME LIMITATIONS 905.06~~50~~

~~To avoid unnecessary delays, an~~ An IJC will be limited to one 30-day extension of the time limit established for each level of review through the Board management level.

If ~~staff fail to take~~ action is not taken beyond acknowledgment on any inquiry for a period of six months at any level of review,~~-~~ the IJC may request advancement to the next level of review. For the purpose of these procedures, "action"~~ does not~~ means ~~approving or denying the inquiry, but rather~~ taking the steps necessary to ~~investigate~~ resolve the inquiry.

By following the ~~above~~ time limits set forth above, any date of knowledge established by the original inquiry will remain open~~intact~~ even if additional supporting information is provided prior to closure. ~~However, if~~ If the ~~above~~ time limits or any extensions ~~which are granted~~ are not met, or if closure has occurred, any additional supporting documentation submitted will establish a new date of knowledge as of the date of receipt of the new information.

APPEAL RIGHTS OF JURISDICTIONS THAT WILL LOSE REVENUE AS THE RESULT OF A REALLOCATION ~~-~~905.07~~60~~

If at any time during the process prior to the Board hearing, the Board's investigation determines that a misallocation has occurred, any jurisdiction that will lose 5% of its average quarterly allocation (generally, the prior four calendar quarters~~12 month historical period~~) or $50,000, whichever is less, will be informed of the decision and be allowed 30 days from the date of mailing of the notice, to contact the ~~auditor's~~ Allocation Group~~supervisor~~ to discuss the proposed reallocation. The losing jurisdiction may follow the same appeals procedure as described in CPPM 905.0540 and CPPM 905.060. "Losing jurisdiction" includes a gaining jurisdiction where the original decision in favor of the gaining jurisdiction was overturned in favor of a previously losing jurisdiction. The reallocation will be postponed until the period for the losing jurisdiction to request a hearing with the Allocation Group ~~section supervisor~~ has expired. If the losing jurisdiction contacts the ~~auditor's supervisor~~Allocation Group prior to the Board hearing, and subsequently petitions~~appeals~~ the proposed reallocation, the reallocation postponement will be extended pending the outcome of the petition~~appeal~~.

There are times when Board staff becomes aware of a misallocation through independent means, such as an audit of a taxpayer, review of a return, a letter from a taxpayer or his or her representative or in some other manner. In these situations jurisdictions losing 5%~~ or $50,000, whichever is less,~~ of its average quarterly allocation (generally, the prior four calendar quarters) or $50,000, whichever is less, will be informed of the proposed reallocation, and if a delay is requested, allowed 30 days to request a meeting with the Allocation Group Supervisor~~sectionsupervisor~~. These jurisdictions may follow the appeals procedure described in CPPM 905.050.~~905.040~~

LIMITATION PERIOD FOR REDISTRIBUTIONS 905.080

Redistributions shall not include amounts originally distributed earlier than two quarterly periods prior to the quarterly period in which the Board obtains knowledge of the improper distribution.

APPLICATION TO SECTION 6066.3 INQUIRIES 905.090

The procedures set forth above for submitting information to the Board concerning improper distributions are in addition to, but separate and apart from, any procedures established under the authority of Revenue and Taxation Code section 6066.3 for making inquiries regarding improper distributions. If inquiries regarding suspected improper distribution of local tax are received both under the procedures set forth above and section 6066.3, duplicate inquiries will not be processed. A subsequent inquiry will not be considered a "duplicate inquiry" when that subsequent inquiry does not contain the same reasons for error as in another inquiry for the same taxpayer by the same city. The date of the earliest inquiry shall be controlling as to whether the request is to be handled under the provisions set forth above or section 6066.3, and the date of knowledge shall be established under the controlling procedure.

The terms and procedures starting with the review by the Refund Section Supervisor up to and including the review and final decision by the Board Members shall also apply to appeals from reallocation determinations made under Revenue and Taxation Code section 6066.3.

The provisions set forth above shall apply to reallocation inquiries and appeals filed after January 1, 2003. Inquiries and appeals filed prior to this date shall continue to be subject to existing inquiries and appeals procedures contained in the "Process for Reviewing Reallocation Inquiries" (June 1996, amended October 1998). However, for inquiries filed prior to January 1, 2003, the IJC may elect in writing to proceed under the provisions set forth above as to appeals not already decided or initiated. In such cases, failure to make such written election prior to appealing to the next step of review under the existing procedures shall constitute an election not to proceed under the provisions set forth above. If written election to proceed under the provisions set forth above is made, the provisions set forth above become applicable the date the election is received by the Board. Neither election shall be subject to revocation.

KNOWLEDGE OF INCORRECT LOCAL TAX ALLOCATIONS OTHER THAN FROM INQUIRIES BY LOCAL JURISDICTIONS AND CONSULTANTS 906.000

The Board of Equalization will be considered to have knowledge of an improper distribution when an employee of the Board has such knowledge. To establish a date of knowledge (DOK), there must be sufficient factual data to indicate the probability that local tax has been erroneously allocated (see CPPM 905.010 and Regulation 1807 (a)(2)).

A DOK of improper distribution can be established using either of the following two methods:

The Board receives an inquiry from a local jurisdiction or its representative (see CPPM 905.000).

An employee of the Board in the course of his or her duties (e.g., field audit or investigation or review of a return) discovers factual information sufficient to support the probability that an erroneous allocation of local tax may have occurred, and that allocation is questioned by the Board employee. A DOK is established as of the date the employee questions the allocation (see CPPM 906.020). This date shall be considered "operationally documented by the Board" - see RTC 1807(a)(3) and CPPM 905.030).

There should be written evidence establishing the date on which the Board obtained knowledge of an improper distribution. Therefore, this date of knowledge shall be properly documented on the appropriate letter, memo, or applicable forms.

FACTS IN THE RECORDS OF THE BOARD 906.010

Facts already in the records of the Board do not in and of themselves constitute knowledge of an erroneous local tax allocation. Such knowledge arises when the taxpayer, an employee of the Board, an Inquiring Jurisdiction and Their Consultant (IJC), or some other person questions the correctness of the local tax allocation.

To constitute knowledge by the Board, it is not necessary that the employee of the Board obtaining the knowledge be absolutely certain that the local tax allocation was erroneous. For example, the employee may refer the information upon which the decision is based to the supervisor or to headquarters for final decision or the employee may secure additional information from the taxpayer. It is not necessary to know the specific amount of tax or tax measure involved at the time knowledge of an improper distribution is first obtained. This may be determined later.

FACTS DISCOVERED DURING A FIELD AUDIT OR INVESTIGATION 906.020

There should be written evidence establishing the date on which the Board obtained knowledge of an improper distribution.

If during the course of a field audit or field investigation a Board employee becomes aware that there is a probability of an erroneous local tax allocation, the DOK will be the first day the Board employee became aware of such probability that the local tax was erroneously allocated. It is not necessary to complete the investigation or the audit to establish a DOK.

The Board employee should write a memorandum describing the type of error that occurred and the type of transaction involved and complete appropriate forms as needed. Specific amounts of tax or measure need not be included. The Board employee shall date and sign the memorandum. The memorandum shall become part of the audit working papers or field investigation report. On the local tax reallocation schedule submitted with the report of field audit there should be stated the date on which the Board obtained knowledge of the erroneous allocation. (See Audit Manual 0209.27.)

FACTS DISCOVERED DURING REVIEW OF A RETURN 906.030

If during the course of a review of a Sales and Use Tax Return the Board becomes aware that there is a probability of an erroneous local tax allocation, the DOK will be the first day the employee became aware of such probability that the local tax was erroneously allocated. This DOK will only apply to the particular questioned jurisdictions on the return even though it may later be found that there are additional erroneous allocations on the same return. Different dates of knowledge shall be established if the employee becomes aware of additional misallocations.

LIMITATION PERIOD 906.040

Section 7209 of the Bradley-Burns Uniform Local Sales and Use Tax Law provides as follows:

> *The Board may redistribute tax, penalty and interest distributed to a county or city other than the county or city entitled thereto, but such redistribution shall not be made as to amounts originally distributed earlier than two quarterly periods prior to the quarterly period in which the Board obtains knowledge of the improper distribution.*

When the Board verifies improper distributions reported on returns, redistributions may be processed for amounts originally distributed no more than two quarterly periods preceding the quarterly period in which the Board obtains a DOK. Since local tax is generally distributed during the quarter following the period for which tax is reported, redistributions are usually processed for the three quarters immediately preceding the calendar quarter in which the DOK is acquired. For example, City A notifies the Board in a letter received on March 15, 1999, that Taxpayer X opened a business in that city in February 1998, but no tax has been allocated to that city from that taxpayer. The Board investigates the city's inquiry, finds that the city is correct, and that this taxpayer's local tax has been improperly allocated to City B. The investigation is completed on April 2, 1999. Although the verification is not made until the second quarterly period, the DOK (March 15) is in the first quarterly period. Accordingly, the Board will redistribute (reallocate) the local tax from City B to City A for the second, third, and fourth quarters 1998.

The Board cannot distribute local tax until payment is received from the taxpayer. A taxpayer may file a return and properly submit all required local tax allocation schedules, but if the taxpayer does not remit any funds, (called a "no remittance" return) there is no revenue to distribute. However, when these funds are remitted, they will be distributed in accordance with the taxpayer's return. Sometimes after distribution, it is discovered that the tax was not allocated in the appropriate manner. When questions arise involving the manner in which the tax was allocated, it is the period in which the tax was distributed rather than the period for which the tax was reported that is relevant. Revenue and Taxation Code section 7209 provides that redistribution of the local tax can be made for two quarterly periods prior to the quarterly period in which the Board obtains knowledge of the improper distribution. This means that any local tax *distributed* during the previous two quarters may be considered for redistribution. The date of distribution can be found under IRIS on the FND VA screen.

The following schedule shows the cash receipt dates of the distributions made during a typical four-quarter period. The term "Cash Receipt Date" means the date on which the Board receives a taxpayer remittance. The term "Distribution" means the payment of revenue to local jurisdictions and special tax districts. Since the cut-off date for each quarterly distribution is established as the ninth working day following the due date for quarterly returns, the actual cut-off date may vary in each year due to intervening week-ends or holidays. Nevertheless, this schedule may be used as a guide in determining the quarter of distribution for payments

REVIEW PROCESS (Cont. 1) 906.040

received with returns on a yearly or irregular basis, delinquent returns, or as a result of a billing:

Cash Receipt Date		*Quarter of Distribution*
Feb. 13 –	May 13	2nd Quarter
May 14 –	Aug. 13	3rd Quarter
Aug. 14 –	Nov. 13	4th Quarter
Nov. 14 –	Feb. 12	1st Quarter

Revenue received with delinquent returns or in payment of a billing based on an incorrect return, field audit, or investigation presents a different problem. As previously stated, distributions made in one quarter cover tax reported on returns for the previous quarter. They also include revenues in payment of delinquent returns, and billings such as Audits and FBO's, etc., which were received at the same time. Therefore, with respect to these latter payments, the limitation on amounts subject to redistribution may extend beyond the usual period.

DISTRICT OFFICE RESPONSIBILITY 906.050

As previously stated, the district office employee who discovers an error in the allocation of local tax should record the date that knowledge of the error was obtained.

If an error in allocation of local tax is discovered, the auditor or field representative should confine his or her report of the necessary redistribution to amounts originally distributed within the limitation period provided by section 7209 of the Bradley-Burns Local Sales and Use Tax. Generally, this will consist of tax reported for the three quarters immediately preceding the quarter in which the error was discovered unless the district office file contains evidence of late returns and payments on billings, in which case, the extent of the limitation period should be determined by the schedule in CPPM 906.040. If there is any question regarding the extent of the limitation period, the auditor or field representative should report only tax for the aforementioned three quarterly periods and depend on headquarters' review for notification if additional information is needed. However, every effort should be made to determine all amounts to be redistributed during the original field investigation. Good judgement should be exercised to avoid spending any appreciable time on inconsequential adjustments. For additional instructions regarding Form BOE–414–L *Auditor's Work Sheet Local Sales and Use Tax Allocation* - see Audit Manual 0209.000.

HEADQUARTERS RESPONSIBILITY 906.060

Redistributions in Headquarters will be subject to the same review as redistributions that are received from district offices.

ALLOCATION GROUP
In general, the Allocation Group will make all redistributions of local tax as a result of Inquiries from Jurisdictions and/or Consultants (IJC). The Allocation Group has the responsibility to examine all reports of errors in distribution that are received from district offices (Board audits, reaudits, FBO's, inquiries from IJC's, and inquiries filed under section 6066.3) and verify by an examination of the master file, or any other records in Headquarters, that the report includes all amounts within the limitation period. If this examination discloses that the limitation period extends beyond the point covered by the report, and information regarding the amount to be redistributed cannot be determined from the records in Headquarters, the necessary additional information will be requested from the district office.

LOCAL REVENUE ALLOCATION SECTION
The Local Revenue Allocation Section handles redistributions of local tax discovered during reviews of returns (CPPM 906.030), as well as redistributions resulting from corrections to the Tax Area Codes, exclusive of Board audits, reaudits, FBO's, inquiries from IJC's (see CPPM 905.000), and inquiries filed under section 6066.3 (see CPPM 905.090).