

Memorandum

To: Honorable Jerome E. Horton, Chairman
Senator George Runner, Vice Chair
Honorable Fiona Ma, CPA, Second District
Honorable Diane L. Harkey, Fourth District
Honorable Betty T. Yee, State Controller

Date : June 12, 2015

From: David J. Gau, Chief Deputy Director



**Subject: Customer Service and Administrative Efficiency Committee
June 23, 2015
Out-of-State District Offices and the Board Members**

The Customer Service and Administrative Efficiency (CSAE) Committee, chaired by Vice Chair George Runner, requested a discussion of a proposal to assign one Out-of-State District office to each of the four district-elected Board Members, for purposes of facilitating communication of constituent concerns and providing assistance.

During the June CSAE Committee Meeting, a discussion will be held on this issue. Attached is a discussion paper that provides background information and additional information on the proposal.

DJG:lf

Attachment: Discussion Paper, Out-of-State District Offices and the Board Members

cc: Ms. Shellie Hughes
Ms. Kari Hammond
Mr. Sean Wallentine
Mr. Jim Kuhl
Mr. Russell Lowery
Ms. Yvette Stowers

Discussion Paper

Out-of-State District Offices and the Board Members

Issue

Whether the State Board of Equalization (Board) should assign one Out-of-State District office to each of the four district-elected Board Members, for purposes of facilitating communication of constituent concerns and providing assistance.

Background

The state is divided into four equalization districts, of which the taxpayers in each district elect a Board Member to represent them. As a result, taxpayers and constituents located within California have a clearly identified Board Member they may contact for assistance.

The main Out-of-State District office is located in Sacramento with additional offices offering limited services in Chicago, New York, and Houston. These offices provide audit coverage throughout the United States (except California) and Canada. The primary function of the Out-of-State District offices is to audit businesses with headquarters outside California. Auditors travel to corporate headquarters to review books and records and/or obtain the electronic data necessary to verify the accuracy of filed returns. In addition, audit staff handles any field work necessary for the completion of reports that facilitate refund claims.

In addition to audit activities, staff in the main Out-of-State District office in Sacramento, also referred to as the “Western States” office, handle typical compliance activities, including registration and account maintenance. Additionally, staff in the Western States office administers the BOE’s voluntary disclosure program and the Out-of-State Registration Program, also known as the “1032 program.” Under this program BOE staff identifies and registers out-of-state sellers with nexus in California.

Discussion

Pursuant to their investigative powers, Board Members may inquire into the administration and operation of BOE field offices located within their equalization district. Such involvement may include reviewing and investigating audit, compliance, and appeals activities involving taxpayers in their district to ensure such activities are conducted in a manner consistent with statutory mandates and BOE policies. Historically, such general Board Member involvement has never been formally provided to the Out-of-State District offices. Although the Out-of-State District offices have traditionally dealt with a variety of issues different from in-state district offices, such as nexus issues, general Board Member assistance would be helpful for the following reasons:

1. Out-of-State District taxpayers are “constituents” of the Board Members in the general sense of the word. These taxpayers have retail locations, warehouses, distribution centers, and other operations within California. In addition, these taxpayers employ constituents and their customers are constituents. The Out-of-State District offices oversee the largest accounts filing returns with the BOE.

Discussion Paper

Out-of-State District Offices and the Board Members

2. Board Members, from time to time, investigate the administration of tax as it relates to Out-of-State District audits, claims for refund, appeals, or other issues.
3. Taxpayers and their representatives working with the Out-of-State District offices do not have access to Board Members and their staff in the same way as in-state taxpayers and their representatives. When issues arise in their dealings and interaction with Out-of-State District offices, taxpayers and their representatives have a right to address a Board Member, and should have a more defined method for communicating with Board Members.

Proposal

The following proposal is for Board Member consideration and discussion:

Assign one Out-of-State District office to each of the four district-elected Board Members, as suggested in the table below, to provide guidance with respect to the Board Members' assistance to out-of-state taxpayers.

Office	Board Member
Western States/ Sacramento Office (OH)	Honorable Jerome E. Horton, Chairman
Houston Office (OHC)	Senator George Runner, Vice Chair
New York Office (OHB)	Honorable Fiona Ma, CPA, Second District
Chicago Office (OHA)	Honorable Diane L. Harkey, Fourth District

Although one of the four district-elected Board Members will be assigned to an Out-of-State District office, any Board Member or their staff may be involved and interact with taxpayers and/or their representatives at any time as it relates to the administration of tax.

Coordinated by: Customer Service and Administrative Efficiency Committee Staff
Current as of: June 11, 2015