

## Fiscal Year [2014-15]

## TITLE OF PROPOSAL

Southern California Appeals and Settlement Unit

## DIVISION PRIORITY NUMBER

## PROGRAM IMPACTED

Appeals from Other Governmental Programs

SUMMARY OF REQUEST *(including impact if request denied)*

This proposal requests permanent establishment of 22.0 expiring limited term positions and 4.0 new positions for the Southern California Appeals and Settlement Unit. The So Cal Unit has successfully met and exceeded its estimated accelerated revenues since inception and continues to meet the increased and consistent taxpayer demand for administrative Appeals and Settlement services that accelerate the resolution of disputed tax liabilities and accelerate the associated revenue to the General Fund, as well as local jurisdictions and special taxing districts. This unit accelerates approximately \$92 million in revenue annually.

## BACKGROUND/HISTORY

The So Cal Unit was established effective October 1, 2010 as part of the Enhancing Tax Compliance proposal to accelerate revenue and address significant increases in taxpayer demand for Appeals and Settlement services that began in FY 2008-09. Taxpayer behavior appeared to change as a result of the economy. Taxpayers began filing significantly more appeals and more vigorously disputing proposed tax assessments. This resulted in more appeals and settlements overall and an increase in the complexity of cases appealed and proposed to be settled. The 22 person unit was staffed roughly equally between the Appeals section and the Settlement section with auditors and attorneys who held appeals conferences and negotiated settlements with taxpayers once taxpayers entered the administrative appeals process by filing a petition for redetermination. More than \$142 million in associated revenue held up during the administrative appeals process was accelerated to the General Fund during the three-year project.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

Given the continuing changes to the economic climate in California, this program continues to be vital to revenue growth by increasing compliance with existing tax and fee laws. The approval of this proposal will continue to accelerate resolution of disputed tax liabilities and accelerate the associated revenue to the State without increasing taxes. Denial of this proposal will result in the continued estimated revenue delay for California of approximately \$92 million annually for FY 2014-15 and ongoing.

This proposal is consistent with the BOE's Strategic Plan to maximize voluntary compliance in the BOE's tax and fee programs and enhance operational effectiveness.

JUSTIFICATION *(including link to Strategic Plan)*

This proposal will create many benefits to California taxpayers. Specifically, it will accelerate the resolution of appeals for taxpayers, thereby limiting interest accruing on unpaid tax assessments. This proposal significantly increases the possibility of collection by accelerating the resolution of appeals and revenues to the General Fund and avoiding the loss of potential collections due to delay. Further, the proposal will educate taxpayers and the public as to the reporting and compliance requirements for California businesses. With respect to Settlement cases, this proposal will allow the settlement program to continue to accelerate the resolution of settlement cases for taxpayers with outstanding tax liabilities and accelerate the associated settlement amounts to the General Fund, as well as local jurisdictions and special taxing districts.

## COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR [2014-15])

New funding     Continuation     Redirection

COST \$ 4.3 million	REVENUE <i>(if applicable)</i> \$ 92 million (Accelerated Revenue)
POSITIONS <i>(if applicable)</i> 26	COST SAVINGS <i>(if applicable)</i> \$ N/A

## PREPARED AND APPROVED

PREPARED BY Amy Kelly	DIVISION CHIEF APPROVAL
AUTHOR'S TELEPHONE NUMBER (916) 323-2029	DATE 4-3-13

## ACTION

Concept Approved     Request Denied

EXECUTIVE DIRECTOR *(signature)*
