

M e m o r a n d u m

To : Ms. Cynthia Bridges
Executive Director (MIC 73)

Date: April 22, 2014

From : Mr. Jeffrey L. McGuire, Deputy Director
Sales and Use Tax Department (MIC 43)

Subject : **Board Meeting May 22-23, 2014**
Item N: Administrative Agenda
Proposed Revisions to Compliance Policy and
Procedures Manual Chapter 5, *Returns*

In accordance with the established procedures for audit and compliance manual revisions, I am submitting proposed revisions to Compliance Policy and Procedures Manual (CPPM) Chapter 5, *Returns*, sections 505.030 through 505.035 and 505.115 through 505.140.

The proposed revisions, which incorporate current policies and procedures, have been reviewed and approved by SUTD management, provided to Board Members, and posted at <http://www.boe.ca.gov/sutax/pmr.htm> to solicit comments from interested parties. No comments were received from interested parties or Board Members with regard to these revisions.

The revised sections are attached for your reference. We request your approval to forward them to the Board Proceedings Division for placement on the Administrative Agenda as a consent item at the May 2014 meeting.

If you have any questions, please let me know or contact Ms. Susanne Buehler at 324-1825.

JLM:rs
Attachment

STATE BOARD OF EQUALIZATION



Approved:

BOARD APPROVED

At the May 22, 2014 Board Meeting

Joann Richmond
Joann Richmond, Chief
Board Proceedings Division

Cynthia Bridges
Ms. Cynthia Bridges
Executive Director

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Approved:



Ms. Cynthia Bridges
Executive Director

cc: (all with attachment)
Mr. Wayne Mashihara (MIC 46)
Ms. Susanne Buehler (MIC 92)
Mr. Kevin Hanks (MIC 49)

RETURN FILING FORMS FURNISHED BY THE BOARD**505.030**

Filing a return is one of many online services available on the BOE website. Online filing is available for most Sales and Use Tax, Motor Fuels Tax, International Fuel Tax Agreement, and Cigarette Tax accounts. Most taxpayers file electronically and will not receive return forms in the mail. However, some taxpayers are ineligible to file electronically (CPPM section 505.032) and others are exempted (CPPM section 505.035). Although BOE may not provide paper returns to most taxpayers, paper returns received from taxpayers will continue to be accepted.

Taxpayers can file returns electronically through the BOE online filing system. BOE does not charge a fee for online filing, and the online filing system is available daily except between the hours of 7:00 pm Sunday and 5:00 am Monday. Taxpayers can either log in as a registered user, or by using the Express Login feature. To create a User ID, the taxpayer will need the account number, express login code, and the taxpayer's full name as registered with the BOE. Taxpayers who log in using the Express Login feature will only need their account number and the eight-character express login code. The express login code is provided to taxpayers at the time of registration and can be found on many BOE correspondences and on the TAR AI screen in IRIS.

Taxpayers may also file a return electronically through a direct transmit service provider. Direct transmit service providers are third-party providers who have successfully completed BOE acceptance testing and have been authorized to receive return and payment information from taxpayers and forward to the BOE for processing. These third-party providers may not offer all of the same features as the BOE online filing system. A list of certified direct transmit service providers is provided on the BOE website. Taxpayers should be advised that BOE staff does not provide support or assistance with direct transmit providers' websites.

The Direct Transmit Program uses Simple Object Access Protocol and Extensible Markup Language (XML) to allow tax return data to be electronically transmitted directly to BOE. Taxpayers transmitting returns on their own behalf (i.e. without using a registered provider) must submit a BOE-400-XML, *Application for Direct Transmission of Tax Returns*, and successfully complete all applicable system testing to be certified as a Direct Transmitter. Testing and certification is done by the eServices Team. Detailed information is available to taxpayers on the BOE website. Applications and inquiries may be submitted by email to eDirect@boe.ca.gov.

Returns that are filed using the BOE online filing system can be viewed, printed, and reprinted at a later date by taxpayers who are registered users. This is done by selecting "View History/Status" after logging in. Taxpayers who filed returns using the Express Login feature will not be able to view or print previously filed returns until they have created a User ID and log in with their User ID and Password.

Taxpayers should also be made aware that failure to receive notification of a return due date from BOE does not relieve the taxpayer of the obligation to file a timely return.

Taxpayers are responsible for filing within the time specified by law.

~~Under RTC section 6452, returns, including those on electronic media, must be in such form as prescribed by the Board. Under all of the laws administered by the Board, the Board furnishes tax return forms to taxpayers. If a taxpayer has been informed by the Board that the taxpayer is required to make monthly prepayments of quarterly tax under the Sales and Use Tax Law, the Board furnishes prepayment forms to the taxpayer, unless the taxpayer is making payments through an electronic funds transfer. (See CPPM 510.035.)~~

~~The Board normally provides standard return forms to registered taxpayers. The use of a standard form is not only a service to the taxpayer, but it also expedites the Board processing of returns after they are filed. For most taxpayers, the form is on paper and is mailed to the taxpayer as third-class mail. The mailed form includes certain preprinted taxpayer information such as the account number, the tax area code, and a bar code to expedite processing. Effective for the quarter ending December 31, 2000, certain taxpayers are given the option to file electronically through a service provider called an Electronic Return Originator (ERO). (See CPPM 505.035.)~~

~~The Board also provides Form 79-B, *Individual Use Tax Return*, for consumers who wish to voluntarily report use tax on untaxed purchases. This form is available on the Board's Internet and Intranet websites at www.boe.ea.gov.~~

RETURN FORMS FURNISHED BY THE BOARD **(Cont.) 505.030**

~~**Failure to receive a return form from the Board does not relieve the taxpayer of the obligation to file a timely return. A taxpayer who has not received a form should obtain the appropriate form and file it with the Board within the time specified by law. A taxpayer may obtain a sales and use tax return form from any Board office, or by calling the Board's Information Center at 1-800-400-7115, or by accessing the Board's website at www.boe.ea.gov. Taxpayers may also file a return without using a return form. See CPPM 505.090 for the information that must be provided if a return form is not used.**~~

ACCOUNTS INELIGIBLE FOR ELECTRONIC FILING **505.032**

The following accounts are currently ineligible to file a return electronically:

- Accounts that require reporting on schedules **other than** Schedule A (district tax), B (local tax), C (local tax), E (local tax), G (prepaid fuel), and/or Schedule A and B (fuel purchases and prepaid fuel for SG accounts).
- Accounts filing amended or corrected returns (except Cigarette Manufacturers and Distributers).
- BOE-designated confidential accounts or "Safe at Home" program accounts (victims of domestic violence).

- Accounts claiming the aircraft adjustments for local tax and require a supplemental schedule.

EXEMPTION FROM ELECTRONIC FILING (E-FILING)

505.035

Taxpayers may request an exemption from electronic filing. If an exemption is granted, the taxpayer will continue to receive return forms in the mail from BOE. Generally, requests received for exemption are granted for a one-year period. Permanent exemption requests may also be granted. To make the request, taxpayers submit a BOE-245-OYE, *Efiling Exemption Request*. The completed form, containing a written explanation of the circumstances and signature of an owner, partner, or corporate officer, is processed by the Return Analysis Unit.

For those taxpayers who do receive paper returns, the BOE provides standard return forms, which expedites the processing of returns after they are filed. The mailed form includes certain preprinted taxpayer information such as the account number, the tax area code, and a bar code to expedite processing.

Return forms are also available on the BOE website, however identifying information such as the taxpayer's name, address, account number and the period covered by the return must be manually entered onto the form.

Failure to receive a return form from the BOE does not relieve the taxpayer of the obligation to file a timely return. Taxpayers are responsible for filing within the time specified by law. Taxpayers may obtain sales and use tax return forms from any BOE office, by calling the Customer Service Center at 1-800-400-7115, or by accessing the BOE website at www.boe.ca.gov.

Taxpayers may also file a return without using a return form. See CPPM 505.090 for the information that must be provided if a BOE return form is not used.

~~Effective December 2000, the Board of Equalization (Board) implemented its Electronic Filing (e-filing) Program, which provides taxpayers an alternative to filing paper returns. Specifically, taxpayers are able to file returns and pay any amount due using the Internet. Detailed information about e-filing is on the Board's website.~~

~~The E-Filing Program works in partnership with Electronic Return Originators (ERO), who will gather the return and payment information from taxpayers and transmit it to the Board in real time. The ERO will be able to communicate with IRIS to determine if the taxpayer is eligible to e-file and, if so, which period is available to be e-filed. Upon receipt of a valid transmission, the Board will return a Confirmation of Filing Number to the ERO, which will be passed on to the~~

~~taxpayer. Additionally, the Board will provide the taxpayer the option of delaying the return filing and payment until the due date.~~

~~The e-filing process uses IRIS to make inquiries on accounts and return validation information, such as name, address, eligibility, etc. The current period eligible to be e-filed will be determined from information stored in IRIS. Eligibility will be based on the most current information available about an account. Electronic returns will be processed through IRIS in the same manner that paper returns are processed.~~

~~Participation in the E-Filing Program is voluntary. Taxpayers who e-file for one period are not required to e-file for another period. Therefore, returns will continue to be mailed to all taxpayers. Taxpayers interested in participating in the E-Filing Program must enroll with an ERO listed on the Board web-site. As part of the enrollment process, the ERO will provide eligible taxpayers with the Declaration of Intent to E-File. The taxpayer must agree to the conditions set forth in the declaration before proceeding. The taxpayer then provides the tax return information to the ERO, who forwards it to the Board. Once the filing has been accepted for processing, the Board will send a Confirmation of Filing Number.~~

~~Only sales and use tax, single outlet retailer accounts filing Form BOE 401-A, with schedule A only, or filing Form BOE 401-EZ, are eligible to E-File as of January 2001. Accounts that meet these criteria are eligible to e-file even if they are revoked. In addition, temporary accounts with a single location are eligible to e-file, as are any state agencies and California municipalities that are granted automatic extensions provided they qualify as a single outlet retailer (see CPPM 535.040 and 535.050). If an account is revoked at the time of application, a warning message will be sent to the ERO along with the Confirmation of Filing Number. The warning message will inform the ERO that receipt of a return does not complete the taxpayer's reinstatement process. The ERO is required to forward this message to the taxpayer.~~

~~**ELECTRONIC FILING (E-FILING) (CONT.)**~~
~~**505.035**~~

~~Accounts that are ineligible for E-Filing include, but are not limited to:~~

- ~~• Tax or fee program accounts other than Sales and Use Tax.~~
- ~~• Accounts filing amended or corrected returns.~~
- ~~• Accounts that require reporting on multiple schedules, other than single outlet Schedule A.~~
- ~~• Accounts in bankruptcy/assignment status.~~
- ~~• Board designated confidential accounts and Secretary of State designated confidential accounts.~~

- ~~• Accounts required to make monthly estimated prepayments of tax.~~
- ~~• Accounts claiming a manufacturer's exemption deduction.~~
- ~~• Accounts claiming the aircraft adjustments for local tax and require a supplemental schedule.~~
- ~~• Mandatory Electronic Funds Transfer (EFT) accounts.~~
- ~~• Accounts that have been issued a manufacturer's exemption certificate under Regulation 1525.2~~

~~Taxpayers that sell to customers who claim the manufacturer's exemption may file electronically as long as the deduction for such sales is \$25,000 or less.~~

~~When an account is not eligible for e-filing, a message will be returned to the ERO referring the taxpayer to the eligibility requirements for e-filing on the Board's web site, and the toll free telephone number for the Customer and Taxpayer Services Information Center. The ERO will forward the message to the taxpayer. A taxpayer that requires additional assistance can call the Information Center at 1-800-400-7115, and a representative will provide the reason(s) for ineligibility to e-file.~~

~~Potential EROs must enroll with the Board by submitting a completed Form BOE 400-ELF, Electronic Return Originator Application. Rules, procedures, technical requirements of the program, and the BOE 400-ELF are presented in the E-Filing Handbook and Specifications. Copies of the form and handbook are available on the Board's website. The website also provides the name and address of the unit to which the application must be submitted.~~

~~An ERO that wishes to participate in the E-Filing Program must pass both the qualifications review and system testing. System testing is a predetermined selection of return scenarios that validate the ability to transmit data to, and receive data from, the Board in a specified format. After successful completion of testing, the ERO name and hyperlink will be added to the alphabetical listing of authorized ERO on the Board web site. Taxpayers can choose any authorized ERO to transmit their electronic return to the Board. Taxpayers can choose a different ERO for each return period. An ERO is in no way affiliated with the Board and the Board does not receive any portion of the fees charged to the taxpayer for the e-filing service.~~

~~Returns with tax due must have the tax paid in full at the time of e-filing. Currently, only Automated Clearing House (ACH) Debit transactions will be accepted. The ERO will be required to collect the taxpayer's banking information along with the amount to be paid and forward it to the Board for processing. The Board will create the Direct Debit file and forward it to the State's bank for processing.~~

PAYMENT BY CREDIT CARD

505.115

~~The Credit Card Payment Program for Sales and Use Tax was implemented as a result of Assembly Bill 1374 (Statutes 1995, Chapter 926), which required all state agencies, with limited exceptions, on or before January 1, 1997, to accept payments made by a credit card or a payment device.~~

~~Program participation is voluntary. Making a credit card payment one month does not require a taxpayer to pay by credit card the following month.~~

~~Generally, Mmost taxpayers may use authorized can use a credit cards to make prepayments, and return payments, and payments towards an account balance on an account. This service is not available to taxpayers who pay by Electronic Fund Transfer (EFT) and have either on the following types of accounts:~~

- ~~• a Sales and /or Use Tax, account~~
- ~~• Prepayment of Sales Tax on Motor Vehicle Fuel Distributions (SG) account,~~
- ~~• Special Taxes and Fees, or~~
- ~~• Consumer Use Tax.~~

~~This payment method is also not available for accounts receivable liabilities, such as audit determinations or compliance assessments.~~

~~A list of authorized credit cards and their applicable service fees is available on the Board's BOE website at <http://www.boe.ca.gov/> under on "Electronic Services." the "Make a Payment" page. The service fee will be paid directly to the credit card processing vendor by the taxpayer and will not be seen on any IRIS screens since it is not revenue to the BOE.~~

~~Taxpayers who are required to pay by EFT should not pay by credit card as they will be subject to penalties. This is because the law specifically defines electronic funds transfer payments as those made by ACH Credit, ACH Debit, or Federal Reserve Wire Transfer.~~

~~Credit card payments can be made online or by using a touch-tone phone, and calling the appropriate toll free. The number can be accessed from listed on the Board's website the "Make a Payment" page. In March 2000, the Board began accepting credit card payments over the Internet. Taxpayers can make a payment over the Internet by visiting the Board's website at www.boe.ca.gov under "Electronic Services." When using The Internet option the taxpayer will be routed provides a link to the credit card processing vendor's website.~~

~~If a taxpayer files a paper return, With the return or prepayment form provided, the taxpayer will should complete the payment transaction using one of the payment methods, and also mark the the box on the form indicating they have paid by credit card. *Even though a taxpayer pays by credit card, the taxpayer must still complete and mail the paper the return or prepayment form filing timely.*~~

~~A convenience fee of 2.5% of the transaction amount will be charged by the credit card processing vendor. The fee is subject to a \$1.00 minimum and is not revenue to the Board. The fee will be paid directly to the credit card processing vendor by the taxpayer and will not be seen on any IRIS screen.~~

For payments ~~above of~~ \$100,000 ~~or more~~, taxpayers ~~will need to both contact their credit card issuer for pre-approval and call the Board's~~ must call BOE's credit card processing vendor for assistance. The name and telephone number of ~~this the~~ vendor is on the ~~Board's BOE~~ website. The taxpayer may also need to contact their credit card issuer for preapproval.

If the taxpayer sends a paper return in which the liability is \$15,000 ~~and over or more~~, and the taxpayer does not check the box on the return to indicate payment is by credit card, the Cashier Unit will process the return as ~~an non-remittance (NR) or partial remittance (PR)~~ and will provide notification to the district (via e-mail) that the taxpayer has not paid. Districts should review PAY BA for the credit card payment. If no payment is found and the taxpayer states that they paid by credit card, the district should contact ~~RAS the Return Analysis Unit~~ to have the payment traced.

Although taxpayers must make all the credit card payments through a processing vendor's ~~toll free number to make credit card payments~~, general questions regarding this program will be handled by the ~~Customer and Taxpayer Services Division (CATS) BOE's Customer Service Center (CSC). The current toll free number for CATS is on the Board's website.~~ Account specific inquiries regarding credit card payments will be referred to the ~~Return Analysis Section (RAS) Support Unit~~ Return Analysis Unit or appropriate Special Taxes and Fees staff. General information and frequently asked questions can also be found on the ~~Board's BOE~~ website ~~at www.boe.ea.gov~~.

SUPPLEMENTAL OR AMENDED RETURNS

505.120

Taxpayers should be instructed to file ~~supplemental or~~ amended returns when they discover an error was made on the return originally filed ~~for a period~~. Whenever possible, photocopies of original returns, or "Confirm Filing" pages for electronically filed returns and any applicable schedules, ~~should be used. Whenever possible with~~ eCorrected figures should be entered to the side of the original figures in a different color than the original figures. A cover letter explaining the changes should be attached to the amended return and the notation "~~AMENDED RETURN DO NOT PROCESS AS ORIGINAL~~" should be written on the ~~face of the return~~ top of the document. If taxpayers are unable to obtain a copy of the original confirmation page or their original paper return, a return form obtained from the BOE website can be used ~~A new return without but must include~~ the amended notation and a cover letter ~~should never be used~~. If a new return is filed without indication that it is an amended return, it will be posted to IRIS as a duplicate or supplemental return, ~~not as an amended return~~.

ALTERATIONS OF RETURNS BY BOARD BOE EMPLOYEES

505.130

Under no circumstances should a ~~Board~~ BOE employee alter a return or any other form or document after it has been signed and delivered to the ~~Board~~ BOE by the taxpayer.

**RETURNS WITH PAYMENTS DIRECTED TO
ANOTHER STATE OR NON-STATE AGENCY IN ERROR**

505.140

Other state agencies sometimes receive remittances intended for the ~~Board~~ BOE and, conversely, ~~the Board~~ BOE may receive remittances actually intended for other state agencies. In both circumstances, the agency to whom the payment is misdirected will try to send the payment to the correct agency. ~~The Board~~ BOE will redirect all types of payments to the correct agency, including EFT and credit card payments. The amounts for misdirected EFT and credit card payments will be remitted to the correct agency by check.

Remittances intended for the ~~Board~~ BOE and ultimately received ~~by it after having been misdirected to~~ from another state agency will be regarded as timely if postmarked, or ~~if~~ received by the other state agency, on or before the due date of the tax. Under such circumstances, penalty and interest will not apply.

Payments received by non-state agencies (e.g. Internal Revenue Service) and private companies cannot reasonably be construed as payments made to the state. Therefore, even though the BOE may ultimately receive a misdirected payment from a non-state entity, a late payment is subject to penalty and interest even if it was received by the non-state entity prior to the due date of the payment. However, a person may be relieved of the penalties pursuant to RTC 6592, or the similar law section for Special Taxes and Fees programs, if all requirements set forth in this statute are met.