

Taxpayers' Rights Advocate's

2004-05

PROPERTY AND
BUSINESS TAXES
ANNUAL REPORT

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Letter to the Executive Director

November 2005

Mr. Ramon J. Hirsig
Executive Director

Dear Mr. Hirsig:

I am pleased to present the Taxpayers' Rights Advocate's 2004-05 Property and Business Taxes Annual Report. Beginning this year, my report on issues related to property tax and business taxes are combined in a single document. This will enhance the usefulness and convenience of the Annual Report and provide a more efficient use of resources. This report

- Highlights the accomplishments of the Taxpayers' Rights Advocate Office during the past year,
- Describes our involvement in important new projects to assist taxpayers,
- Identifies current issues we are working to resolve, and
- Identifies emerging issues we recommend for consideration in the coming year.

Problem resolution continues to be our primary focus. We experienced an increase this year in the number of individuals and businesses asking for our assistance to resolve problems. I attribute the eight percent increase in new property tax cases and ten percent in new business taxes cases to our expanded outreach efforts. These efforts, described in this report, were intended to provide a greater awareness of the services offered by the Taxpayers' Rights Advocate Office.

We look forward to continuing to work with staff and the public at large as we identify trends and issues, develop viable solutions, and strive to better serve our customers.

Respectfully submitted,



Todd C. Gilman
Taxpayers' Rights Advocate

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TAXPAYERS' RIGHTS ADVOCATE OFFICE

An Overview

In January 1989, the original Taxpayers' Bill of Rights was established to ensure that the rights, privacy, and property of California taxpayers were adequately protected in the assessment and collection of sales and use taxes. Approximately 885,000 taxpayers are currently provided protection under this law.

Effective January 1993, the Special Taxes Bill of Rights was established expanding the Bill of Rights statutory authority to the special taxes programs administered by the Board of Equalization (Board), currently impacting approximately 260,000 tax and fee payers. Since these programs primarily affect business owners, they will be referred to generally as the Business Taxpayers' Bill of Rights, covering both sales and use taxes and the various special taxes and fees.

The *Morgan Property Taxpayers' Bill of Rights* (please see Appendix 1) was added in January 1994, governing the assessment, audit, and collection of property tax, with the goal of ensuring taxpayers receive fair and uniform treatment under the property taxation laws.

The term "taxpayers" in this publication is used in reference to sales and use taxes, special taxes, and property tax.

Each Taxpayers' Bill of Rights provides for a Taxpayers' Advocate. The Advocate:

- Facilitates resolution of taxpayer complaints or problems;
- Monitors various Board tax and fee programs for compliance with the Taxpayers' Bill of Rights;
- Recommends new procedures or revisions to existing policy to ensure fair and equitable treatment of taxpayers;
- Participates in various task forces, committees, and public forums; and
- Holds statutory Taxpayer Bill of Rights hearings to provide the public with an opportunity to express their concerns, suggestions, and comments to the Board Members.

The Taxpayers' Rights Advocate (TRA) Office generally assists taxpayers who have been unable to resolve a matter through normal channels, when they want information regarding procedures relating to a particular set of circumstances, or when there appears to be rights violations in either the audit or compliance areas. Taxpayers also call to convey their frustration, seeking assurance or confirmation that staff action is lawful and just.

In cases where the law, policy, or procedures do not allow any change to the staff action, but a change to the law, policy, or procedure appears justified, our office is alerted to a potential area that may need clarification or modification. Several of the past recommendations for policy or procedural changes, suggestions for enhancements to staff training materials, and proposals for legislative change have resulted from contacts with taxpayers.

We provide assistance to taxpayers and Board staff to facilitate better communication between these parties and to eliminate potential misunderstandings. Taxpayers are provided information on policies and procedures so they can be better prepared to discuss and resolve their issues with staff.

In responding to property taxpayers' contacts, the TRA Office works with county assessors, tax collectors, and auditor-controllers (most of whom are elected officials), plus clerks to the county boards of supervisors. The TRA Office does not have the legal authority to overturn local actions, although TRA office staff is generally successful in soliciting cooperation and ensuring that taxpayers receive proper treatment under the law. In cases where there is no procedural or legal authority to remedy a problem - and a change does appear justified - the TRA Office recommends specific policy, procedural, and legislative changes.

The major difference between the Property Taxpayers' Bill of Rights and the Business Taxpayers' Bill of Rights is in the resolution of taxpayer complaints. The Board is responsible for assessing and collecting business taxes (sales and use taxes and special taxes and fees). The Executive Director has administrative

control over these functions and the staff carrying them out. The Advocate reports directly to the Executive Director and is separate from the business and property taxes programs. When complaints about the Board's business taxes programs are received in the TRA Office, the office has direct access to all Board documents and staff involved in the taxpayers' issues. The TRA Office acts as a liaison between taxpayers and Board staff in resolving problems. If the Advocate disagrees with actions of the Board staff and is unable to resolve the situation satisfactorily, the issue is elevated to the Executive Director for resolution.

When a customer or Board employee alleges discrimination or harassment, TRA Office staff works with appropriate Board management to resolve the complaint. The Board is committed to a discrimination/harassment-free environment and ensures that Board staff are properly trained in these areas. Likewise, alleged taxpayer discrimination or sexual harassment toward Board staff is appropriately addressed.

Public Outreach

The public learns about the services offered by our office in a number of ways. Many Board publications include a reference to the TRA Office. Information about specific taxpayer rights under the law and the TRA's role in protecting those rights is described in Publication 70, *Understanding Your Rights as a California Taxpayer*, which is available in all Board offices and on the Board's website. Another resource is the Advocate Office's web page www.boe.ca.gov/tra/tra.htm which can be accessed from the Board's home page. The Advocate page provides a means for taxpayers to communicate with our office directly via e-mail.

The Advocate or designee attends all of the Small Business Fairs/Taxpayer Service Days throughout the state. These events are sponsored by the Board Members and conducted by district staff. At these events, the Advocate or staff interacts with business owners, provides written material about the TRA Office, and leads a presentation on "Problem Resolution Process" with Advocate Office representatives of the Internal Revenue Service, Franchise Tax Board, and Employment Development Department. Similar direct contacts with the public are made at conven-

tions and fairs sponsored by consortiums of industry or business groups to assist California business owners, such as the Professional Business Women's Conference. In the past, we have made presentations to taxpayer representative groups such as the California Society of Certified Public Accountants.

This year outreach efforts were expanded in order to provide a greater awareness of the services offered by the TRA Office. For example, we:

- Included the TRA Office's toll-free phone number as an option on the automated phone tree for all district offices in the Second Equalization District.
- Worked with the Customer and Taxpayer Services Division to revise the Board's permits and licenses to include the TRA Office's toll-free number. These revisions ensure ready access to the TRA for any retailer who requires assistance in resolving a problem.
- Added contact information for the TRA Office to many standard audit letters sent to taxpayers.
- Published an article entitled "Need Help? See Your Taxpayers' Rights Advocate" in the September 2005 issue of the *Tax Information Bulletin*. (We intend to submit a similar article for publication each year.)
- Placed the publication, *California Taxpayer Advocates – We're Here for You*, newly updated in May 2004, on the websites of the Board Members, the participating state agencies, the State of California (California home page), and the California Tax Information Center www.taxes.ca.gov. This publication provides contact information for the Advocates from the Board of Equalization, Franchise Tax Board, Employment Development Department, and Internal Revenue Service.
- Started a new practice of being present and available to answer questions or assist taxpayers arriving for their appeal hearings before the Board. Taxpayers are encouraged to stop by the Advocate's table and talk to TRA Office staff if they have questions regarding their rights and responsibilities.
- Assisted the Customer and Taxpayer Services Division in developing a sticker containing contact information for the Board's Information Center and the TRA Office.

These outreach efforts contributed to an eight percent increase in new property tax cases (from 186 to 201) and a ten percent increase in new business taxes cases (from 663 to 731). Referrals from the Internet grew significantly this year, with 33 percent of the business taxes contacts and 26 percent of the property tax contacts reporting that they learned of services offered by our office via the Internet. This represents an increase in Internet referrals of 362 percent for business taxes cases and 174 percent for property tax cases. We also saw our average monthly telephone call volume increase dramatically: the average number of telephone calls per month (not including calls that resulted in new cases) climbed 59 percent.

New Projects

We began working on three major projects during Fiscal Year 2004-05 in partnership with other departments of the Board. All of these efforts are designed to assist taxpayers who have requested a Board hearing.

Board Hearing Legal Assistance Project

Board Members have expressed concern that some taxpayers involved in the appeals process are at a disadvantage because they are not represented by a professional advisor. The Board Members asked the Taxpayers' Rights Advocate to investigate how underrepresented taxpayers who lack an understanding of the tax laws and the Board's rules, policies, and decision-making process could receive assistance with their appeals prior to and during a Board hearing. In partnership with the Appeals Division of the Board's Legal Department, the Advocate has launched the Pro Bono Legal Assistance Pilot Project that will allow low-income, underrepresented taxpayers who have filed an appeal the opportunity to seek free legal assistance. An existing legal internship program at the Board will form the basis of this new program. Qualified law students attending a Sacramento area school of law already participate in a legal internship program at the Board where they receive valuable training in legal appeal matters and gain experience in reviewing appeal briefs and other materials and in researching and preparing proposed decisions for the Board's consideration. The Advocate and the Appeals Division management are working on expanding this program to provide the interns with

hands-on experience and knowledge about preparing an appeal and representing taxpayers before the Board. In addition, the Advocate is actively soliciting participation from law schools throughout the state.

Board Hearing Instructional Video Project

Board Members have asked the Advocate to develop an informational video about Board hearings. The video will provide helpful information to taxpayers on how to prepare, submit, and present information for a Board hearing.

Board Hearing Taxpayer Notification Project

In response to requests from Board Members, through the Advocate, the Board Proceedings Division is currently engaged in a project to improve the clarity of standard notifications sent to appellants and to enhance educational materials provided to taxpayers to assist them in preparing for their Board hearings. We are assisting in this project by providing input to the Board Proceedings Division regarding taxpayers' rights issues.

PROPERTY TAX ISSUES



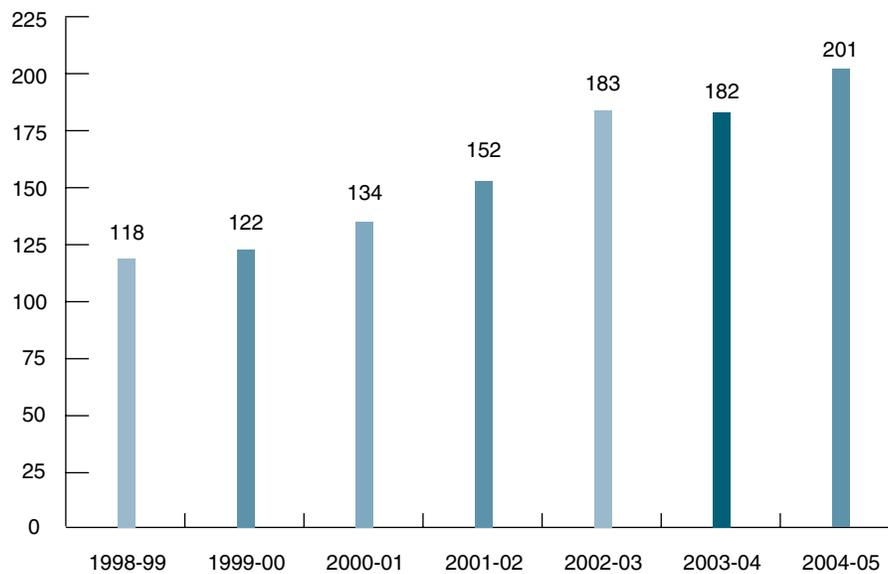
PROPERTY TAX ISSUES

Property Tax Case Statistics Interpreted

The TRA Office opened over 200 property tax cases in fiscal year 2004-05. This number represents a modest increase in cases over the prior fiscal year of about eight percent. The general caseload increase over time appears to be about ten percent suggesting that the total number of cases will double about every seven or eight years. The chart below displays this growth rate and suggests that about 220 to 225 property tax cases should be anticipated in 2005-06.

Cases are opened when contact is made with our office. Our primary contact is with individual taxpayers but other cases originate with contact from attorneys, brokers, lenders, title and escrow companies, and governmental officials such as assessors, tax collectors, recorders, auditor-controllers, county supervisors, and legislators. All cases are treated equally and resolved as quickly as possible.

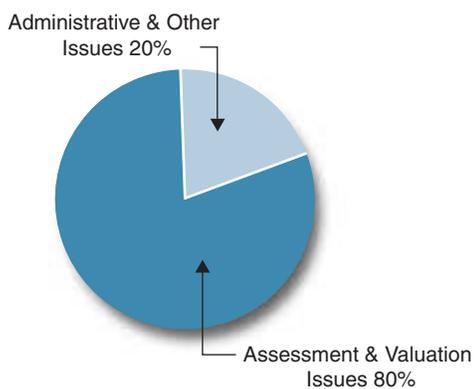
TRA Historical Property Tax Caseload Growth



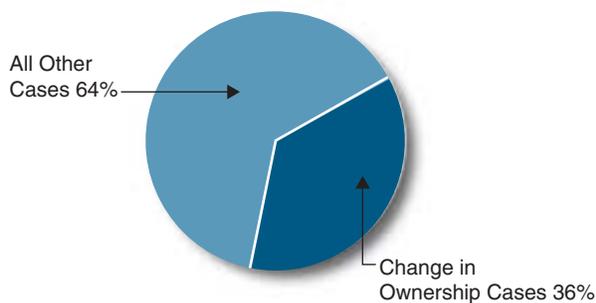
Cases come from all over the state. The table below lists the counties that generated the most calls to our office. Please note we expected to get more calls from these counties since, based on the other size indicators listed, these are the largest counties in the state. No individual county impacted our office in 2004-05 more than we expected.

Contact with Advocate's Office	Total Population	Veterans Exemptions	Homeowners Exemptions	Net Assessed Value
Los Angeles	Los Angeles	San Diego	Los Angeles	Los Angeles
San Diego	Orange	Los Angeles	Orange	Orange
Sacramento	San Diego	Sacramento	San Diego	San Diego
Santa Clara	San Bernardino	Riverside	Santa Clara	Santa Clara
Riverside	Santa Clara	San Bernardino	Alameda	Alameda
San Bernardino	Riverside	Solano	Sacramento	Sacramento
Alameda	Alameda	Orange	Contra Costa	Contra Costa
Solano	Sacramento	Monterey	San Bernardino	San Bernardino
Ventura	Contra Costa	Contra Costa	Riverside	San Mateo
San Francisco	Fresno	Shasta	Ventura	San Francisco

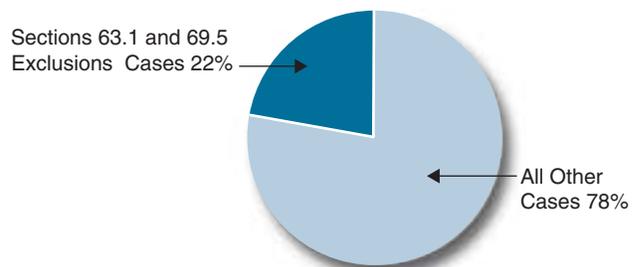
In 2004-05, 80 percent of our cases dealt with assessment and valuation and 20 percent with administrative and other less specific issues. The category “Assessment and Valuation Issues” contains issues related to changes in ownership, new construction, appraisal methodology, exclusions, exemptions, assessment appeals, general property tax information and definitions, and actual enrollment of values. The category “Administrative and Other Issues” contains the functional issues of creating and mailing tax bills and refunds, waiving penalties, accessing data by the public and other issues that are more administrative in nature. None of the issues in this smaller category was predominant and therefore no systemic or statewide concerns are noted.



Change in ownership issues make up 36 percent of our property tax workload. About one out of every three cases involves a change in ownership issue as the primary issue. See the chart below.



Revenue and Taxation Code Sections 63.1 and 69.5 exclude certain transfers from change in ownership reassessments. These parent/child and senior citizen base value transfers were the main issue in 22 percent of our cases. See the following chart.



Statistics generally highlight areas that need attention. The statistics used in fiscal year 2004-05 clearly show a need for our attention on change in ownership issues, specifically exclusions such as senior citizen and parent/child base value transfers. These issues will take on more importance each year as our population ages and property values increase.

The statistics captured in 2004-05 showed only the primary issue in each case. This is misleading since most cases involve multiple issues. For example, a case that involves a reassessment due to a change in ownership also might involve an assessment appeal. The assessment appeal issue must also be tracked to fully understand our workload. Therefore, as of the beginning of fiscal year 2005-06, all issues involved in cases are being tracked.

Examples of Cases Resolved

The extent of the Advocate’s role in the resolution of issues varies depending on the nature of the case. The delineation of all the issues in a case and their correct order of resolution is a primary concern. The following three examples illustrate the number of issues often encountered, the variety, and the order in which the issues are resolved.

These are actual cases handled by our office in 2004-05. These examples are used for illustrative purpose only and may not include all of the issues involved in the case.

Case Example #1: Does a court ordered partition of a property trigger a change in ownership of all interests involved?

This case involved a large tract of agricultural land in transition to residential use. The two owners of this property had different plans for the property's long-term use and development. One of the owners wanted to develop the property and the other wanted it to retain its agricultural use. Since the two parties could not agree on a plan to satisfy both, one owner asked the courts to partition the property rights between the two owners. The owner who wanted the property to remain farmland was not interested in splitting the property or the property rights but was required to do so after the court granted the partition.

Each party underwent a reassessment for a change in ownership because the property that each person received after the partition was not equal in value to each person's proportional interest before the partition. In this case, the owner that wanted the property developed into homes was involved only up to the point where it sold to the homebuilder. The long-term consequences to this owner were not as important as they were to the other owner, who wanted to retain the property as a farm. Both properties were assessed at the value of transitional residential land. The farmland owner's property taxes quadrupled since the assessment was no longer based on the agricultural use.

The owner of the agricultural portion contacted our office. The first issue was whether a partition could create this situation for an unwilling taxpayer. The location of an agricultural well and the configuration of the parcels did not allow each owner to have parcels of equal value after the partition, so the owner of the agricultural portion was paid an amount to equalize the partition. This fact is what triggered the change in ownership reassessment. Had the land been split into two parcels of equal value, no reassessment would have occurred assuming each owner held a 50 percent interest prior to the partition. The amount that was required to be paid to one of the parties to equalize the transaction does not determine whether a reassessment should occur. Rather, the new valuation was triggered by the fact that any amount was necessary.

Once this issue was resolved, the valuation of the property was considered.

Property tax law requires that assessments for changes in ownership be based on the property's highest and best use, not necessarily the actual use. The land in the area was transitioning from agricultural to residential use and therefore was going to be appraised at the higher value of residential property. The value of land in transition to this higher use was evidenced by sales of similar properties in the area, most specifically by the other parcels involved in the partition that recently sold to a residential developer. The valuation of the transitional land focused on when the transition would occur. Since all parties agreed that the area would likely be economically ready for development soon, the value of the property became relatively easy to ascertain. Once the owner understood how the property tax law was applied and the appraisal principles being employed, the property's assessed value was accepted.

The owners of these properties were siblings and each had a different opinion of what should be done with the family ranch. One owner saw the property in strictly monetary terms while the other applied a different value system to the property. In order to provide sound advice, the perspective of the party we are assisting must be thoroughly understood.

Case Example #2: Does seismic retrofitting of a structure constitute new construction?

In this case, a taxpayer decided to remodel his home to make it safer during an earthquake. He consulted with the assessor prior to construction and was told that seismic retrofitting was not going to be reassessed as new construction. Construction began and the scope of the work began to grow. In order to make the home safe during an earthquake, the home needed to be nearly completely reconstructed. In the end, while no square footage was added, some things, not necessarily for earthquake safety, were added or changed. These included the roof pitch and some other interior features. To an observer, from either the inside or the outside, the home appeared to be a new home. The owner agreed that it appeared to be a new home.

The property tax law allows the assessor to value the home as all new construction if the new construction converts the existing structure to the substantial equivalent of a new structure. If this had been a remodel for non-seismic construction only, the reassessment would not be in question.

In this case both seismic and non-seismic new construction were involved. Property tax law states that seismic new construction is permanently excluded from reassessment but it doesn't clearly state whether it should be excluded from the equation when determining "substantial equivalent of new." This legal issue will be debated at an upcoming assessment appeal hearing.

Assuming the law does allow for the seismic retrofitting to be included in the "substantial equivalent of new" equation, there still is an issue of what value should be added and what should be "permanently excluded" for seismic retrofitting. The construction cost is one option although it may be more or less than appropriate. These are questions to be answered only if the seismic work is included at all. The remaining work probably did not constitute enough new construction alone to make the home the substantial equivalent of new.

This issue has far-reaching consequences. Many structures in California will require this level of seismic retrofitting in order to make them safe. No county in California is immune from earthquakes and it is an issue that all counties likely will encounter eventually. The law clearly allows some new construction for safety without a property tax increase, but how much?

The amount of tax dollars involved could be dramatic. It is likely that all reconstruction projects will have some element of seismic safety and therefore some amount should be excluded. This doesn't mean that all the work should be excluded from reassessment. At some point, however, the line is blurred.

It is at the point of "substantial" new construction where the issue will become a matter of appeals boards and the courts. Our office has taken an active role in this case because of many factors. The ramifications are far reaching not only to this taxpayer but virtually all Californians. Seismic retro-

fitting decisions may not occur if the tax effects are severe.

We see this particular case as being one that has all the elements of a test case. We believe we have helped this taxpayer clearly define the assessment issue(s) involved and have assisted in the dialogue that must occur before a resolution is made. Ultimately the laws and/or property tax rules may need to be revised and the TRA office will be part of that process.

Case Example #3: Can a tax base be transferred to another county?

Persons age 55 or older can transfer a tax base from one property to another in the same county. In some cases, these tax bases can be transferred to another county. In addition to the age requirement, there is an "equal or lesser value" clause that is applied to the replacement property. The case discussed here generally revolves around the "equal or lesser value" clause and brings up several other property tax questions such as appeal rights and jurisdiction, valuation methods, and differing concepts of market value.

The original property was a beautifully restored historic home that sold for an amount nearly twice that for which the assessor valued it. The assessor in this case diligently used sales in the local area to determine the property's value. Since this property had a historical element, sales of similar properties could not be found in the neighborhood. The appraisal made for the loan in this case was supported by sales of similar historical properties but located in nearby towns.

This taxpayer purchased a replacement property in another county and applied for a base value transfer. After the second county consulted with the first county, the base value transfer was denied since the replacement was not of equal or lesser value. The taxpayer tried to appeal that decision but was forced to appeal in the county of the original property first.

Please note here that our contact was challenging the enrolled value of the property they had just sold and that any increase granted would be assessed to the new buyer. Without the sale price being

enrolled, however, the second county could not grant this exclusion. In this case, the taxpayer went to an appeal in the original county and prevailed.

With the sale price now enrolled, the replacement property was considered to be of equal or lesser value and the tax base was transferred. This provided a significant tax savings to this taxpayer. The buyers of the historical home were not so fortunate; they saw their taxes double.

Our office discussed with the taxpayer, all the appraisal questions that should be raised and explained how to present their case to the assessor and the appeals board. We explained the law and the definition of market value under Proposition 13. We discussed how sales should be adjusted and the different motivations of buyers and sellers. We explained that if the sale price included something other than real property, those items should be excluded from the sale price.

All this information was also discussed with the assessor's office and it was agreed that the appeals board would have to make the value decision. Both counties had performed their duties properly and even though an assessor's value was overturned, this does not mean that appraisal was incorrect. A different body examining the value may have come to another conclusion.

We do not decide the appropriate value but only assist both parties in arriving at one.

Goals, Projects and Strategies - Helping More Taxpayers

Cases resolved generally benefit only the specific taxpayer involved in that case. While this certainly is important, we would also like to solve systemic problems for taxpayers in general. Therefore, it is crucial to identify the systemic issues. The statistics we keep are a primary method for identifying both individual and general needs of taxpayers. The better we gather data on cases, the better we will be able to recognize trends that can be applied to all taxpayers. As of July 1, 2005, we will begin actively tracking all issues involved in our cases.

Another technique we are using is to categorize issues in broader terms. One of these categories is "communication." If many cases involve

communication issues, that will indicate an area of focus. If many of the underlying issues brought forward concern differences of opinion over legal matters, perhaps this means we need to work on clarifying the tax laws.

In addition to capturing the true volume and underlying issues, we need to understand which statutes are creating problems for the assessors and the public. We are now tracking the statutes themselves more closely on all cases worked.

The resolution method is also being tracked. We may act as facilitators in the majority of cases but is this at the expense of another important role? If we determine that most of the cases resolved require new legislation or litigation, then perhaps we should concentrate on those areas. The data now being captured will give us a better idea of how to be more responsive to individual taxpayers and to taxpayers in general.

We are already aware of some issues that merit focus in fiscal year 2005-06 such as change in ownership issues, specifically exclusions, and assessment appeals. Appeals can become contentious by their very nature. This can often cause a breakdown in communication. If we can assist in keeping the lines of communication open between the assessor and the taxpayer, we believe that assessment appeals will be resolved quickly.

Our office is also working on ways to improve the appeal process itself. Recently we participated in the development of training for locally appointed assessment appeals board members so they can resolve issues properly and expeditiously. Now we are participating in the development of an on-line assessment appeal resource that will provide guidance to appeal applicants. Making the information available in as many places as possible will allow more people to benefit from it, thereby ensuring that all parties to assessment appeal hearings have a better understanding of the process.

We will continue to build and maintain relationships with organizations to benefit all taxpayers. For example, we will continue to work closely with the California Assessors' Association (CAA) in the development of statewide property tax forms. Our role ensures that the taxpayers' rights are

considered when forms are developed.

We will also be working with the CAA to determine the most common reasons that base value transfers are denied. This understanding will help us propose solutions that will potentially allow more base value transfer approvals.

We will survey estate planning professionals to determine what information and services we can provide to help them advise their clients on base value transfers and other change in ownership and property tax issues.

Our website will soon include a section called "Report a Form." This will allow the public to tell us the property tax related forms they dislike and why. If a form is found to be particularly user-friendly, we want to know that also. This input from the broader general public will assist in the form revision process.

Our office will continue to work with other taxpayers' rights advocates such as those of the Internal Revenue Service, Franchise Tax Board, and Employment Development Department so that we can share common advocate concerns and test and apply advocate solutions.

We hope to work with other external groups to reach audiences in need of our assistance such as senior citizens.

As property tax issues are recognized, our office will be developing more written and on-line guidance. We will also work directly with the other Board of Equalization departments to improve the Board's publications and on-line resources.

The TRA Office requires input from taxpayers, county officials, and interested parties in order to help make property tax assessments fair to all taxpayers. We welcome and encourage ideas regarding areas we need to examine.

BUSINESS TAXES ISSUES



BUSINESS TAXES ISSUES

Business Taxes Case Statistics Interpreted

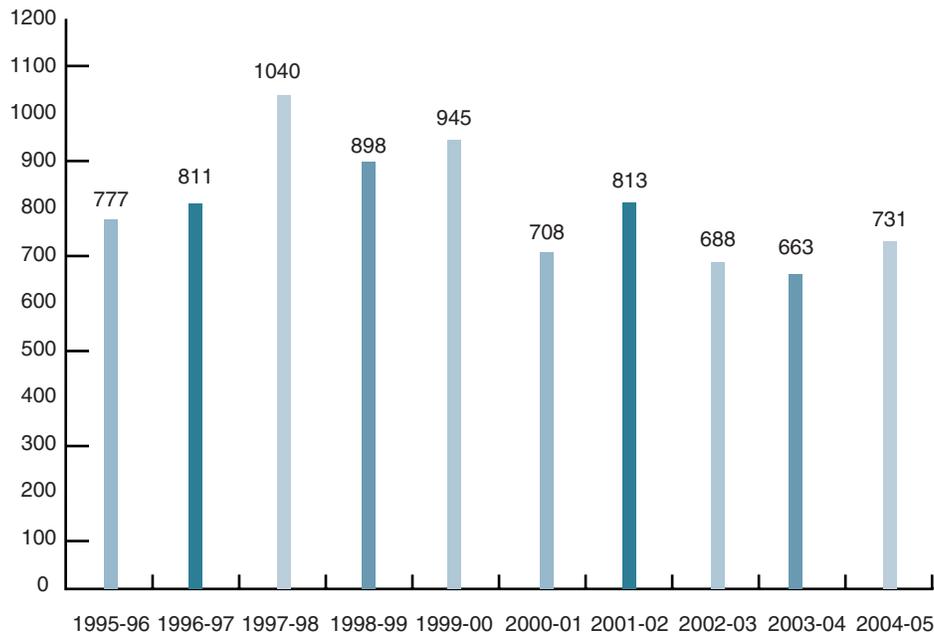
During fiscal year 2004-05, our office recorded 731 new business taxes cases, a 10 percent increase from last year. We attribute the increase to new public outreach efforts put into place this year (see the section on Public Outreach on page 2). In addition, the staff shortage of the past two years was alleviated this year, allowing us to set up and work all cases instead of having to refer some taxpayers to headquarters staff and/or district staff for initial review and resolution.

Appendices 2 and 3 provide a breakdown of contacts by district and headquarters offices. A specific district or headquarters office was designated as the office of origin for a case if the taxpayer

contacted us regarding an action taken by a specific office. "TRA Office" was designated as the office of origin in cases where taxpayers wanted general information and guidance regarding a Board process or procedure or if the case was a result of testimony at a Taxpayers' Bill of Rights hearing.

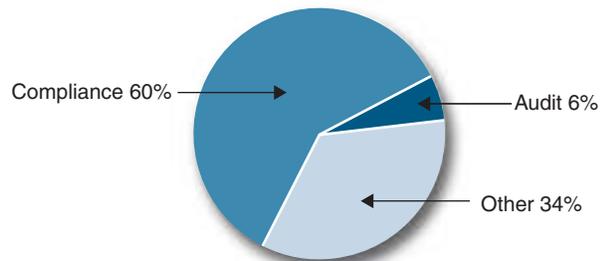
When reviewing these appendices, it should be noted that there are many contributing factors that may cause certain districts to reflect a higher number of cases than other districts. For example, characteristics related to overall population, density of taxpayers within the district, the type and size of business operations, and geographic proximity to headquarters could all contribute to the disparity between districts.

TRA Historical Business Taxes Caseload Growth



Taxpayer Inquiries Cover a Wide Range of Issues

Of the 731 cases received, 60 percent involved compliance-related issues, six percent involved audit-related issues, and 34 percent involved other issues, such as consumer use tax exemptions, general information, and Franchise Tax Board matters.



During fiscal year 2004-05, we tracked the reasons that taxpayers made contact and allowed for up to three reasons per contact in the statistics. The top 20 reasons are displayed in Appendix 4.

The most common reason taxpayers contacted our office was to obtain information and guidance on a particular process or to determine if an action taken by Board staff was appropriate and in compliance with law and procedures. The remaining issues in descending order were: TRA Office intervention requested, liens, questioning liability, levy or earning withhold order, refund, policy or procedure, consumer complaint, payment plan, penalty, tax collection, audit procedures, reimbursement of levy fees, appeals, revocation of permit, security, interest, bankruptcy, offers in compromise, and returns.

Customer service issues are divided into four broad categories:

1. *Communication*: misinformation, refusal to allow the taxpayer to talk to a supervisor, failure to answer specific taxpayer questions, or not receiving a communication or notice.
2. *Board delay*: slow response to inquiry, or delay in issuing refunds or resolving the taxpayer's case.
3. *Staff courtesy*: complaint about staff demeanor, manner of handling the taxpayer's case, or comments made by staff.
4. *Education*: lack of information regarding tax law, Board policy, or Board procedures; or staff training issues.

The data from fiscal year 2004-05 cases reflects an improvement in customer service. Approximately eight percent of the total contacts in fiscal year 2004-05 were customer service issues, down from 18 percent the previous year.

Note: The customer service statistics were captured based solely on the taxpayers' statements or impressions of their situations; therefore, these statistics do not necessarily indicate verified problems but reflect the taxpayers' perception. For example, if a taxpayer states that collection staff made a rude comment, a "staff courtesy" complaint would be recorded. However, frequently the taxpayer's contention did not match staff's recollection of the situation or was portrayed in a different light.

How Taxpayers Were Referred to the Advocate Office

In an effort to improve service to the public, we attempt to identify the source of referrals. The Internet was cited by the majority of taxpayers as the source of referral, reflecting 33 percent of the total referrals and a 362 percent increase from last year. We attribute this increase to more widespread use of the Internet by the public, the addition of the California Advocates contact information to the state website, and the implementation of a direct e-mail link from the TRA Office page of the Board’s website.

The following chart reflects the breakdown of how taxpayers were referred to the TRA Office.

Accomplishments

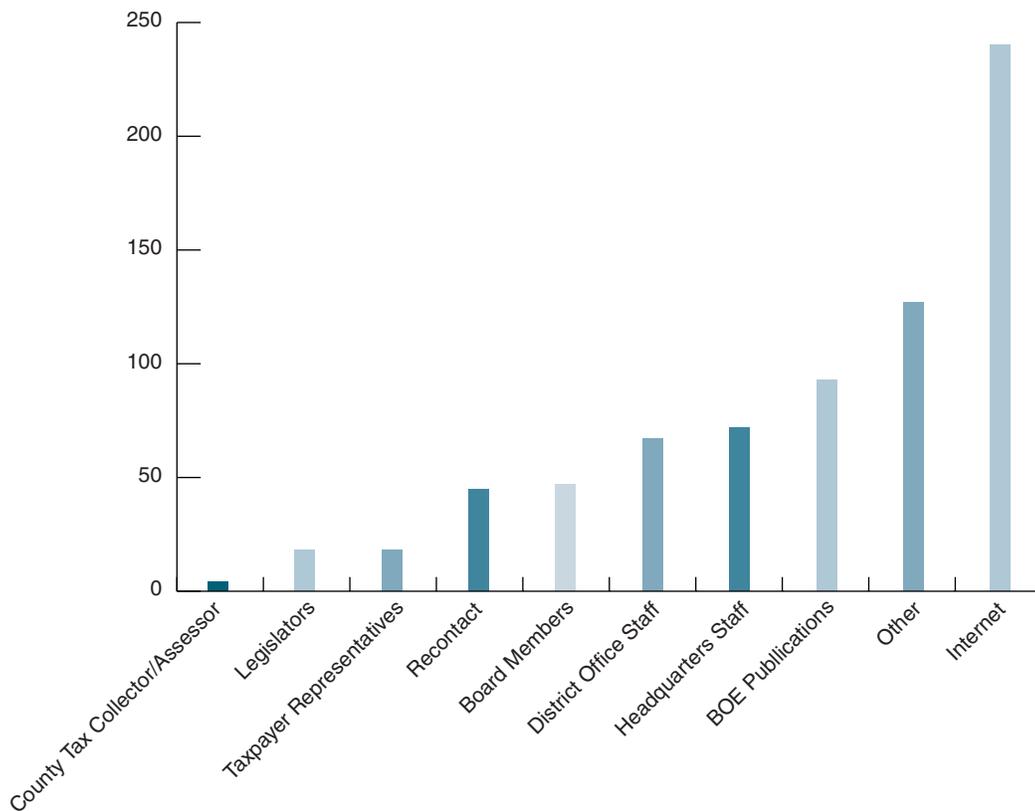
The two primary functions of the TRA Office are to ensure fair and equitable treatment of taxpayers in the assessment and collection of taxes and to recommend changes in policies, procedures, and statutes to improve and/or ease taxpayer compliance.

As a result of specific contacts from taxpayers, issues raised at the annual Taxpayers’ Bill of Rights hearings, and issues identified by our office, suggestions are presented to the program staff for evaluation. With the cooperation of Board staff, the following changes were accomplished this past year.

Liens on Discharged Liabilities

In order for the Board to release tax liens on liabilities that have been discharged in bankruptcy,

Business Taxes Caseload Referrals



it must be determined that the lien does not attach to pre-bankruptcy assets. In the past, the Special Procedures Section required taxpayers to provide a certified or guaranteed title search of the grantee/grantor rolls in the county where the lien is recorded to prove the taxpayer did not own property, or fraudulently transfer property, from the recording date of the lien to the petition date of the bankruptcy.

We identified several cases in which the taxpayers reported they were unable to find a title company that would issue an insured guarantee. Providing a guaranteed report is time consuming and poses some risk for the issuing title company. Depending on the scope of the guarantee, the report can also be a hardship to taxpayers already in precarious financial standing. Discussions were held with program management regarding the potential for staff to perform in-house searches, but it was found that search engines lack sufficient information to determine transfer of title with certainty. However, the Board's policy has been altered to allow for greater flexibility. The Special Procedures Section now accepts grantee/grantor title reports without an insurance guarantee. Staff analyzes the information provided and determines if a lien release is appropriate.

Out-of-State Corporations Applying for California Temporary Seller's Permits

When an out-of-state corporation applied for a temporary seller's permit, they were not made aware that obtaining that permit to operate as a business in California would subject them to an annual franchise tax for corporations. Without prior knowledge of this requirement, taxpayers were exposed to years of potential penalties and accrued interest.

After we brought this matter to staff's attention, the Board's instructions for a California Seller's Permit Application, form BOE-400-SPA, were revised. A new paragraph was added that advises out-of-state corporate applicants to refer to the California Taxes Information Center's website for information regarding the minimum franchise tax for corporations.

Payment Proposal Renewal Letter

Staff was required to send form BOE-407-T, *Installment Payment Agreement – Notice of Termination*, to the taxpayer prior to cancellation of an installment payment agreement. We discussed with program management the benefits of also requiring staff to send form BOE-59, *Installment Payment Proposal – Renewal* or BOE-61, *Installment Payment Proposal – Corporate Renewal*, when staff reviews an existing payment arrangement. We believed this would help taxpayers understand what is required in order to continue on a payment agreement, as well as document the action taken by Board staff. Program management agreed. The names of the forms have been changed to *Request for IPA Documentation – Individual Review* and *Request for Installment Payment Documentation – Non-Individual Review*, and the revised forms have been modified to better advise taxpayers of the requirement to continue on a payment agreement as well as the collection consequences should they not comply. The new forms are available to staff through the Automated Compliance Management System.

Current Issues

The following issues are currently being reviewed with program management to develop solutions.

Modify Lien Policies that Affect Third Parties

Under California law, staff can record a state tax lien with the county recorder's office in the name of the person or entity having an outstanding liability with the Board. Co-owners of the property subject to a state tax lien may be impacted by the lien.

When a property that is subject to a state tax lien is sold or refinanced, usually an escrow company requests a demand for payment from the Board's Special Procedures Section. The Special Procedures Section typically demands payment in full of the outstanding tax liability. Legally, the Board is not required to release a state tax lien unless it receives payment in full. However, Board staff may release a state tax lien without payment in full if staff determines that the Board will receive the entire sales proceeds or loan proceeds to which the Board's taxpayer is entitled. Such a determination often requires a search of the chain of title and sometimes requires a legal opinion.

Affected co-owners of property are often ex-spouses that acquire real property as a result of a property settlement agreement in a divorce proceeding. Generally, the community estate of married persons is liable for a debt incurred by either spouse before or during the marriage. If a tax lien is recorded while property is held as community property, any subsequent change in title to separate property of the non taxpayer spouse does not affect the Board's tax lien. The lien remains attached to the entire property. In instances where property is held as joint tenancy at the time the tax lien is filed, the Board's tax lien attaches only to the taxpayer's one-half interest in the property.

We discussed with Board staff possible process changes that would take into account the debtor's contribution to equity—or lack thereof—in contemplation of issuing a partial release of lien. This would include special consideration for innocent spouses and ex-spouses who are not on the Board's lien but are affected by it. One process that is available is based on the addition of section 7097(e) to the Revenue and Taxation Code in 1999. Section 7097(e) states "The board may release or subordinate a lien if the board determines that the release or subordination will facilitate the collection of the tax liability or will be in the best interest of the state and the taxpayer." Currently, a request for a release or subordination of a lien under section 7097 (e) is referred to the TRA Office for approval. We have suggested that, in order to provide more timely response, the Special Procedures Section prepare recommendations for partial releases of liens and submit them to the Sales and Use Tax Department Deputy Director for approval in non community property cases where there is evidence that a co-owner has no liability for the taxes owed but is being adversely affected by the Board's lien. In addition, we are working with program management to ensure that staff is familiar with the issues of joint tenancy versus community property and the circumstances in which to refer a taxpayer to the Special Procedures Section for a possible partial release of lien.

Relief from Penalty Requests

Existing statute requires the assessment of penalties for taxpayers who fail to comply with the

statutory requirements to file a return timely, remit taxes timely, or to remit taxes by Electronic Fund Transfer (EFT) when their participation in EFT filing is mandatory.

Taxpayers who believe they could not comply with the law because of circumstances beyond their control can apply for relief from penalty through the Return Analysis Unit (RAU) of the Return Analysis and Allocation Section. RAU staff reviews and considers the approval or denial of these taxpayer requests based on established criteria in accordance with the statutes.

If relief is not granted, the taxpayer may submit additional information and request to have the decision reconsidered by management. To appeal beyond this level, the taxpayer must pay the penalty, file a claim for refund, and go through the legal appeal process.

The TRA Office has recommended for a number of years that this process be changed to allow for further appeal without requiring the taxpayer to pay the penalty and file a claim for refund. We are working with Board staff to inform taxpayers about the current reconsideration process. In addition, we are exploring with staff how best to provide an independent review of denials of requests for penalty relief.

Maintaining Accurate Information on Taxpayer Representatives

Taxpayer representatives periodically contact our office regarding lack of notification to them or incorrect addresses. Due to confidentiality concerns and other consequences of mis-addressed mail and failure to copy authorized representatives on notices from the Board, it is imperative that records be maintained accurately. Staff is working on programming refinements to the Integrated Revenue and Information System (IRIS) that will address this problem. In addition, staff is reviewing addressing practices by specific headquarters sections to ensure that updated addresses are used by all areas sending notices to taxpayers and their representatives.

Questionable Successors and Dual Determinations

In certain circumstances, the law allows the Board to issue a determination (more commonly known as a bill) to an individual other than the registered

holder of a seller's permit. For instance, in the case of a suspended or abandoned corporation, Revenue and Taxation Code section 6829 provides for the personal liability of a corporate officer under specified conditions. In addition, the Board may issue a determination against the purchaser of a business—the successor—when the predecessor fails to notify the Board of a change in ownership and the successor does not obtain a tax clearance from the Board. In such circumstances, in order to protect the state's interests, staff may issue a "dual determination" against both the registered holder of a seller's permit and another party for an unpaid liability.

We have noted a discrepancy in the handling of dual determinations depending on whether the liability arose due to audit findings or nonfiling or nonpayment of returns. Evidence should be established (purchase price, assumption of indebtedness, willfulness, etc.) to support successor and dual determinations. Generally, compliance staff provides the documentation to support these types of determinations. While the Board can legally require a taxpayer to pay the amount in full and request a refund, it does not seem fair to follow this logic in all cases. For instance, when we bill a taxpayer as the result of an audit, the taxpayer is allowed to provide district staff with records or additional information that was not available while the audit was in process. This can be done even if a late protest is not accepted. In many cases, district audit staff will consider the new evidence presented by the taxpayer and recommend an adjustment if it is warranted. This is often not the case for liabilities not related to audits. We are working with program management to provide consistent handling of these types of issues and to remind staff that any evidence presented by a person to refute a dual or successor billing should be carefully and expeditiously evaluated.

State Application and Information for Offers in Compromise (OIC)

Practitioners and taxpayers have come to the California Advocates of the three state agencies (Board of Equalization, Franchise Tax Board, and Employment Development Department) and indicated their interest in filing one OIC application where they have a liability with two or more agencies. The OIC

Managers and the California Advocates of the three state agencies are working cooperatively to develop a joint application for taxpayers to use. The application will soon be in the clearance process for each agency.

Returns Filed When Received on Compliance Assessments

Returns filed subsequent to a compliance assessment for the same period may be treated differently depending on whether the returns are mailed directly to headquarters or to a district office. When tax returns are provided to collection staff in a district office, they are reviewed to determine if the taxpayer has reported correctly. The returns are then forwarded to headquarters for processing. However, in some instances, district staff will delay forwarding these returns while they seek additional information to determine the accuracy of the returns. By not forwarding the returns to headquarters shortly after receipt, the tracking and proper follow-up of the returns is not available to any level of staff. This can impact the assessment of penalties and interest and potentially the entire liability if bankruptcy discharge later occurs. We are working with staff to develop procedural changes that will ensure uniform treatment of returns.

Liens or Levies on Non-Partners

Some persons who have been granted non-partner relief and who no longer have an outstanding liability on the account have been issued liens or levies in error. Currently, these issues are addressed by releasing the lien and/or having the non-partner file a claim for refund. We were concerned that adequate safeguards may not have been in place to prevent liens or levies being issued in error.

As of December 2004, we were pleased to see that guidelines were provided to staff regarding extensive new systemic processes for the maintenance of partnership accounts. IRIS was modified to track the partners who come and go in a partnership. It has the ability to separately notice and adjust each partner's liability, and make adjustments for acceptance of an Offer in Compromise or relief for an Innocent Spouse. We are working with staff to ensure the adequacy of training in the new processes.

Voluntary Payments Received after Taxpayer Files Bankruptcy Petition

Some taxpayers continue making payments under a voluntary payment arrangement with the Board after they file bankruptcy. We had concerns regarding whether these payments should be accepted while the automatic stay on collection actions is in effect or if the payments should be returned to the taxpayer or bankruptcy court. Board staff has indicated they will request guidance from the Board's Legal Department regarding how to address these situations.

Liens, Levies, or Billings on Liabilities Discharged in Bankruptcy

We have had several cases where taxpayers have been concerned because liens, levies, or billings have included periods that have been discharged in bankruptcy. In some cases, payments were incorrectly applied to discharged periods. The majority of bankruptcy discharges occur as a result of filing a "no asset" Chapter 7 petition. Although in most Chapter 7 cases, the tax debts owed the Board would not be subject to discharge, in some instances a Chapter 7 discharge order will discharge a tax liability owed the Board. Collection staff is responsible for determining which periods of liability are subject to discharge. Liability discharged in a Chapter 7 proceeding is not adjusted off because pre-petition tax liens survive the discharge and attach to assets abandoned by the court. These are the bankruptcy cases where there is the most potential for an inappropriate levy, lien, or billing. Board staff receives training at the district level and in compliance classes that enable them to identify a liability that is subject to discharge. Additional guidance is available in policy manuals, and staff is also instructed to contact the Special Procedures Section for direction whenever there is doubt as to a discharged debt. As suggested by our office, staff is analyzing Chapter 7 cases that have had subsequent collection actions to determine if automated safeguards are feasible.

Incorrect Mailing Address

We have had several cases where an incorrect mailing address caused the taxpayer not to receive required notices and billings. Subsequent investigation has shown that the taxpayer provided a correct address to the Board, but the information was never updated on the Board's records. We made a number of suggestions to staff: (1) review the policy and procedures for updating mailing addresses; (2) look into the feasibility of placing an incorrect address flag on accounts known to have incorrect mailing addresses to alert staff to ask for updated information when in contact with the taxpayer; and (3) determine the best approach for educating staff on their responsibility to forward new address information for updating. The Compliance Policy Unit is working with the Technology Services Division on programming changes to enhance the mailing address update function in order to reduce the instances of such problems in the future.

Emerging Issues

As a result of taxpayer contacts and review of trends, policies, and procedures within the Board, we recommend consideration of the following issues:

Identity Theft Program Guidelines

As a reflection of the increasingly common problem of identity theft in our society, we worked several cases involving this problem this year. The Board has had guidelines in place since January 2003 on how to address tax liabilities that arise as a result of identity theft and the procedures to follow to absolve the innocent party. The cases that came to the attention of our office pointed out the need for more extensive guidance to staff of what may constitute acceptable evidence of identity theft. We believe these actual examples of perpetrators' actions can serve to assist staff in recognizing factors that may support individuals' assertions that they were victims of identity theft. Therefore, we have offered our assistance in enhancing the guidance available to staff in Operations Memorandum 1105, *Identity Theft Program (IDT)*.

Staff Education – Claim for Refund of Involuntary Payments

The deadline for filing a claim for refund is whichever date occurs *last*:

- Three years from the due date of the return on which too much tax was paid.
- Six months from the date the taxpayer overpaid tax.
- Six months from the date a determination (billing) became final.
- Three years from the date the Board collected an involuntary payment, such as a levy or lien.

We have noted a number of instances where staff has provided incorrect information to taxpayers regarding the deadline for filing a claim for refund when the payment was as a result of an involuntary collection, such as a levy or lien. We have discussed with Board staff options for enhancing staff knowledge of the rules for filing a claim for refund, and have suggested reviewing standard letters in use by various units to ensure that correct and complete information is provided regarding claims for refund.

Explanatory Letter Regarding Expired Liens

In order to effect collection of delinquent taxes and to protect the state's interests, collection staff may place liens affecting the taxpayer's property. A lien in the amount of the unpaid liability is recorded under the taxpayer(s)' name(s) in a specific county, with the Secretary of State, or both, and multiple liens may be placed on the same taxpayer. Liens are effective for ten years and may be renewed twice prior to the expiration date, for a total effective period of 30 years. We often receive calls from taxpayers attempting to sell or refinance their property who have discovered that an old lien placed by the Board is adversely affecting their credit rating. Quite often, these types of calls are referred by district staff to our office. In many cases, the liens have expired. We would like to discuss with staff the possibility of providing the inquiring taxpayer with a letter explaining that the lien is expired, and we will seek an opinion from the Legal Department regarding the appropriate content of such a letter.

Timely Resolution of Claims for Refund

At the Taxpayers' Bill of Rights hearing in September 2004, a tax practitioner presented concerns regarding the Board's processing of refunds, which the practitioner believes is cumbersome and too lengthy. He explained that his main concerns involve Board policy and the field audit time required to verify and process refunds. We are working with Sales and Use Tax Department staff to monitor and study the refund process to determine areas where improvement may be needed. Staff expects to complete the study and prepare recommendations for any changes needed by December 2005.

APPENDICES

Appendix 1

The Morgan Property Taxpayers' Bill of Rights

(Revenue and Taxation Code Sections)

5900. This part shall be known and may be cited as "The Morgan Property Taxpayers' Bill of Rights."

5901. The Legislature finds and declares as follows:

(a) Taxes are a sensitive point of contact between citizens and their government, and disputes and disagreements often arise as a result of misunderstandings or miscommunications.

(b) The dissemination of information to taxpayers regarding property taxes and the promotion of enhanced understanding regarding the property tax system will improve the relationship between taxpayers and the government.

(c) The proper assessment and collection of property taxes is essential to local government and the health and welfare of the citizens of this state.

(d) It is the intent of the Legislature to promote the proper assessment and collection of property taxes throughout this state by advancing, to the extent feasible, uniform practices of property tax appraisal and assessment.

5902. This part shall be administered by the board.

5903. "Advocate" as used in this part means the "Property Taxpayers' Advocate" designated pursuant to Section 5904.

5904. (a) The board shall designate a "Property Taxpayers' Advocate." The advocate shall be responsible for reviewing the adequacy of procedures for both of the following:

(1) The distribution of information regarding property tax assessment matters between and among the board, assessors, and taxpayers.

(2) The prompt resolution of board, assessor, and taxpayer inquiries, and taxpayer complaints and problems.

(b) The advocate shall be designated by, and report directly to, the executive officer of the board. The advocate shall at least annually report to the executive officer on the adequacy of existing procedures, or the need for additional or revised procedures, to

accomplish the objectives of this part.

(c) Nothing in this part shall be construed to require the board to reassign property tax program responsibilities within its existing organizational structure.

5905. In addition to any other duties imposed by this part, the advocate shall periodically review and report on the adequacy of existing procedures, or the need for additional or revised procedures, with respect to the following:

(a) The development and implementation of educational and informational programs on property tax assessment matters for the benefit of the board and its staff, assessors and their staffs, local boards of equalization and assessment appeals boards, and taxpayers.

(b) The development and availability of property tax informational pamphlets and other written materials that explain, in simple and nontechnical language, all of the following matters:

(1) Taxation of real and personal property in California.

(2) Property tax exemptions.

(3) Supplemental assessments.

(4) Escape assessments.

(5) Assessment procedures.

(6) Taxpayer obligations, responsibilities, and rights.

(7) Obligations, responsibilities, and rights of property tax authorities, including, but not limited to, the board and assessors.

(8) Property tax appeal procedures.

5906. (a) The advocate shall undertake, to the extent not duplicative of existing programs, periodic review of property tax statements and other property tax forms prescribed by the board to determine both of the following:

Appendix 1 (continued)

(1) Whether the forms and their instructions promote or discourage taxpayer compliance.

(2) Whether the forms or questions therein are necessary and germane to the assessment function.

(b) The advocate shall undertake the review of taxpayer complaints and identify areas of recurrent conflict between taxpayers and assessment officers. This review shall include, but not be limited to, all of the following:

(1) The adequacy and timeliness of board and assessor responses to taxpayers' written complaints and requests for information.

(2) The adequacy and timeliness of corrections of the assessment roll, cancellations of taxes, or issuances of refunds after taxpayers have provided legitimate and adequate information demonstrating the propriety of the corrections, cancellations, or refunds, including, but not limited to, the filing of documents required by law to claim these corrections, cancellations, or refunds.

(3) The timeliness, fairness, and accessibility of hearings and decisions by the board, county boards of equalization, or assessment appeals boards where taxpayers have filed timely applications for assessment appeal.

(4) The application of penalties and interest to property tax assessments or property tax bills where the penalty or interest is a direct result of the assessor's failure to request specified information or a particular method of reporting information, or where the penalty or interest is a direct result of the taxpayer's good faith reliance on written advice provided by the assessor or the board.

(c) Nothing in this section shall be construed to modify any other provision of law or the California Code of Regulations regarding requirements or limitations with respect to the correction of the assessment roll, the cancellation of taxes, the issuance of refunds, or the imposition of penalties or interest.

(d) The board shall annually conduct a public hearing, soliciting the input of assessors, other local agency representatives, and taxpayers, to address the advocate's annual report pursuant to Section 5904, and to identify means to correct any problems

identified in that report.

5907. No state or local officer or employees responsible for the appraisal or assessment of property shall be evaluated based solely upon the dollar value of assessments enrolled or property taxes collected. However, nothing in this section shall be construed to prevent an official or employee from being evaluated based upon the propriety and application of the methodology used in arriving at a value determination.

5908. Upon request of a county assessor or assessors, the advocate, in conjunction with any other programs of the board, shall assist assessors in their efforts to provide education and instruction to their staffs and local taxpayers for purposes of promoting taxpayer understanding and compliance with the property tax laws, and, to the extent feasible, statewide uniformity in the application of property tax laws.

5909. (a) County assessors may respond to a taxpayer's written request for a written ruling as to property tax consequences of an actual or planned particular transaction, or as to the property taxes liability of a specified property. For purposes of statewide uniformity, county assessors may consult with board staff prior to issuing a ruling under this subdivision. Any ruling issued under this subdivision shall notify the taxpayer that the ruling represents the county's current interpretation of applicable law and does not bind the county, except as provided in subdivision (b).

(b) Where a taxpayer's failure to timely report information or pay amounts of tax directly results from the taxpayer's reasonable reliance on the county assessor's written ruling under subdivision (a), the taxpayer shall be relieved of any penalties, or interest assessed or accrued, with respect to property taxes not timely paid as a direct result of the taxpayer's reasonable reliance. A taxpayer's failure to timely report property values or to make a timely payment of property taxes shall be considered to directly result from the taxpayer's reasonable reliance on a written ruling from the assessor under subdivision (a) only if all of the following conditions are met:

Appendix 1 (continued)

(1) The taxpayer has requested in writing that the assessor advise as to the property tax consequences of a particular transaction or as to the property taxes with respect to a particular property, and fully described all relevant facts and circumstances pertaining to that transaction or property.

(2) The assessor has responded in writing and specifically stated the property tax consequences of the transaction or the property taxes with respect to the property.

5910. The advocate shall, on or before January 1, 1994, make specific recommendations to the board with respect to standardizing interest rates applicable to escape assessments and refunds of property taxes, and statutes of limitations, so as to place property taxpayers on an equal basis with taxing authorities.

5911. It is the intent of the Legislature in enacting this part to ensure that:

(a) Taxpayers are provided fair and understandable explanations of their rights and duties with respect to property taxation, prompt resolution of legitimate questions and appeals regarding their property taxes, and prompt corrections when errors have occurred in property tax assessments.

(b) The board designate a taxpayer's advocate position independent of, but not duplicative of, the board's existing property tax programs, to be specifically responsible for reviewing property tax matters from the viewpoint of the taxpayer, and to review and report on, and to recommend to the board's executive officer any necessary changes with respect to, property tax matters as described in this part.

Business Taxes Case Summary

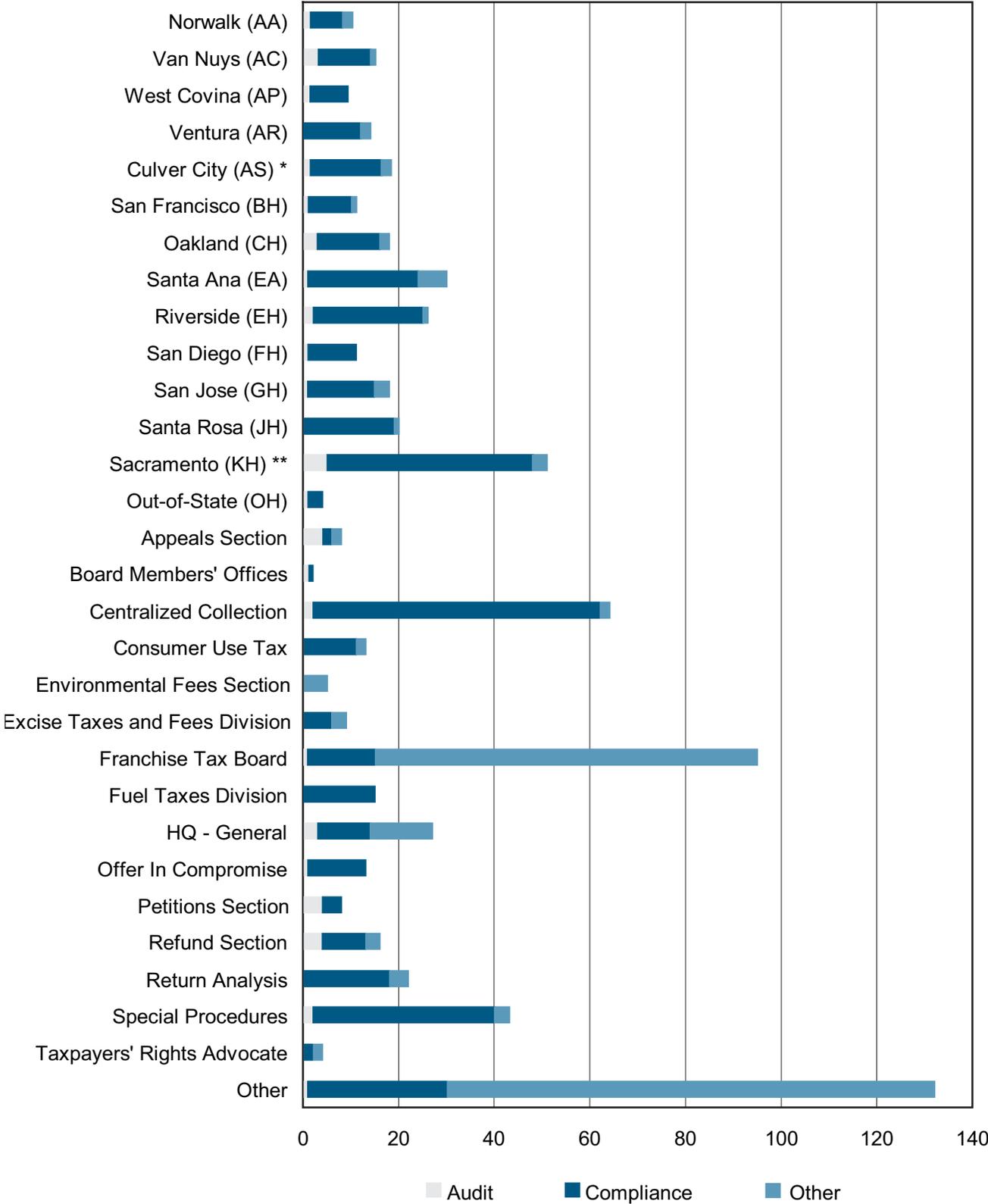
Office of Origin	Cases by Issue Type			Total Cases	Confirmed Staff Case Handling		Case Handling Changed		Satisfied with Outcome		Referred To		
	Audit	Compliance	Other		Yes	No	Yes	No	Yes	No	District	HQ	Other
Norwalk (AA)	1	7	2	10	1	1	2	1	6	0	4	2	1
Van Nuys (AC)	3	11	1	15	4	1	3	3	11	2	9	2	0
West Covina (AP)	1	8	0	9	3	0	2	1	4	0	5	0	0
Ventura (AR)	0	12	2	14	2	0	0	3	10	0	7	4	1
Culver City (AS) *	1	15	2	18	7	1	3	5	10	0	8	3	0
San Francisco (BH)	1	9	1	11	2	0	0	0	8	0	6	3	0
Oakland (CH)	3	13	2	18	4	1	3	4	14	0	10	6	1
Santa Ana (EA)	1	23	6	30	6	1	1	5	19	0	19	5	0
Riverside (EH)	2	23	1	26	3	2	5	1	16	2	12	7	1
San Diego (FH)	1	10	0	11	3	1	2	3	9	0	8	1	0
San Jose (GH)	1	14	3	18	3	0	2	1	13	0	11	3	2
Santa Rosa (JH)	0	19	1	20	6	1	2	5	11	1	16	0	0
Sacramento (KH) **	5	43	3	51	14	1	5	11	33	1	32	6	1
Out-of-State (OH)	1	3	0	4	2	1	1	0	3	0	2	0	1
Appeals Section	4	2	2	8	2	0	0	2	3	1	0	4	0
Board Members' Offices	0	1	1	2	1	0	0	0	0	0	0	1	0
Centralized Collection	2	60	2	64	12	4	10	9	30	3	5	37	2
Consumer Use Tax	0	11	2	13	3	0	2	2	9	1	3	8	0
Environmental Fees	0	0	5	5	1	0	1	0	4	0	0	5	0
Excise Taxes Division	0	6	3	9	2	0	1	2	3	0	0	5	1
Franchise Tax Board	1	14	80	95	2	1	3	2	71	0	2	5	89
Fuel Taxes Division	0	15	0	15	1	0	3	1	8	1	0	10	2
HQ - General	3	11	13	27	3	3	4	2	15	1	2	18	3
Offer In Compromise	1	12	0	13	0	0	0	2	3	2	0	8	1
Petition Section	4	4	0	8	0	0	0	0	3	1	0	4	0
Refund Section	4	9	3	16	4	1	4	2	11	0	0	9	0
Return Analysis	0	18	4	22	5	0	4	4	11	2	2	12	1
Special Procedures	2	38	3	43	10	0	7	4	27	0	2	22	1
Taxpayers' Rights Advocate	0	2	2	4	1	0	1	0	3	0	0	2	1
Other	1	29	102	132	3	0	2	2	112	5	7	79	34
Total	43	442	246	731	110	20	73	77	480	23	172	271	143

* Includes Torrance (AB) that closed 8/23/04.

** Includes Fresno (ARF/KHO) that changed from Ventura (AR) control to Sacramento (KH) control on 3/1/05.

Note: The columns "Confirmed Staff Case Handling," "Case Handling Changed," "Satisfied with Outcome," and "Referred To" will not always equal the total cases since they are not applicable in all cases.

Appendix 3 Taxpayer Contacts by Business Taxes Office



Appendix 4

Reasons for Business Taxes Contacts

