



2021-22

Taxpayers' Rights Advocate

ANNUAL REPORT



CDTFA
CALIFORNIA DEPARTMENT OF
TAX AND FEE ADMINISTRATION

MESSAGE TO DIRECTOR

Mr. Nicolas Maduros, Director
California Department of Tax and Fee Administration

Dear Mr. Maduros,

I am pleased to present the *2021-2022 Taxpayers' Rights Advocate's Annual Report*. The report highlights the accomplishments of the Taxpayers' Rights Advocate (TRA) Office and provides examples of the services we provide. I would like to thank the entire California Department of Tax and Fee Administration (CDTFA) team for their efforts over the last year.

While the pandemic has waned, and we have substantially returned to business as usual, it is important to remember the strain on small business over the last two years. We need to continue to treat these taxpayers with compassion and empathy, maintaining flexibility as they struggle to regain their footing. I appreciate the hard work and understanding displayed by our team members.

The TRA Office continues to both educate taxpayers about their rights and responsibilities and ensure that their rights are protected. Additionally, our work supports CDTFA's mission by resolving issues when they arise. The TRA Office remains dedicated to serving the people of California and its businesses.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Will Hain".

William J. Hain
Taxpayers' Rights Advocate



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TAXPAYERS' RIGHTS ADVOCATE OFFICE





VISION

To be a trusted voice of reason and fairness when resolving issues between taxpayers¹ and the government.

MISSION

To positively affect the lives of taxpayers by protecting their rights, privacy, and property during the assessment and collection of taxes and fees.

GOALS

- To ensure that taxpayers coming to the Taxpayers' Rights Advocate Office with problems that have not been resolved through normal channels have their concerns promptly and fairly addressed.
- To identify laws, policies, and procedures that present barriers or undue burdens to taxpayers attempting to comply with the tax laws; to bring those issues to the attention of CDTFA management; and to work cooperatively to change laws, policies, and procedures where necessary.
- To meet taxpayer needs by opening appropriate channels of communication, providing educational resources, and finding creative solutions to unresolved problems.
- To promote CDTFA's commitment to honor and safeguard the rights of taxpayers.



¹ The term "taxpayers" in this publication means payers of sales and use taxes and special taxes and fees.



PROFILE

TAXPAYERS' BILLS OF RIGHTS MANDATE A TAXPAYERS' RIGHTS ADVOCATE

In January 1989, the *Harris-Katz California Taxpayers' Bill of Rights* was placed into law to ensure the rights, privacy, and property of California taxpayers are adequately protected in the assessment and collection of sales and use taxes. All holders of seller's permits and consumer use tax accounts, which together include over one million taxpayers, are provided protection under this law.

Effective January 1993, the *Special Taxes Bill of Rights* expanded the existing bill of rights to include the special tax and fee programs administered by CDTFA, which currently affect approximately 250,000 taxpayers in 34 programs. Since these programs primarily affect business owners, this publication refers to both bills of rights generally as the Taxpayers' Bill of Rights, covering both sales and use taxes and the various special taxes and fees. In addition, each bill of rights requires a Taxpayers' Rights Advocate (Advocate).

LEGAL RESPONSIBILITIES OF THE TAXPAYERS' RIGHTS ADVOCATE

The responsibilities of the Advocate are specified in law. Consistent with the Taxpayers' Bill of Rights, the Advocate:

- Facilitates resolution of taxpayer complaints or problems, including complaints regarding unsatisfactory treatment of taxpayers by CDTFA;
- Monitors all tax and fee programs administered by CDTFA for compliance with the Taxpayers' Bill of Rights and recommends new procedures or revisions to existing policies to ensure taxpayers are treated fairly and equitably;
- Works with CDTFA to ensure that taxpayer educational materials are clear and understandable; and
- Conducts Taxpayers' Bill of Rights meetings to give the public an opportunity to express their concerns, suggestions, and comments.

HOW THE TAXPAYERS' RIGHTS ADVOCATE OFFICE FULFILLS ITS LEGAL RESPONSIBILITIES

Facilitates resolution of taxpayer complaints or problems

The TRA Office generally assists taxpayers who:

- Have been unable to resolve a matter through normal channels;
- Want information regarding CDTFA procedures;
- Claim their rights were not upheld in the assessment or collection of tax; or
- Seek confirmation that CDTFA's actions are lawful and consistent with approved policies.





The TRA Office assists taxpayers and CDTFA by facilitating better communication between these parties, which helps eliminate potential misunderstandings. Taxpayers are provided information on policies and procedures so they can better prepare to discuss and resolve their issues with CDTFA.

Occasionally, a taxpayer contacts the TRA Office complaining about discrimination or inappropriate interactions. The TRA Office works with appropriate CDTFA management to resolve these complaints. Discrimination, harassment, or wrongful behavior of any kind toward CDTFA team members or taxpayers is not tolerated and is immediately addressed.

The Advocate oversees the Tax Appeals Assistance Program, which allows taxpayers who meet certain criteria and have filed an appeal with CDTFA, the opportunity to seek free legal assistance. For more information, see the [Tax Appeals Assistance Program](#) chapter.

Monitors programs and recommends policy or procedural changes

In cases where CDTFA team members' actions are mandated by law, policy or procedures that warrant change, the TRA Office works toward clarification or modification. Taxpayer suggestions have led to policy and procedural changes, enhancements to training materials, and proposals for legislative change.

The TRA Office routinely brings the taxpayer's perspective to all areas of the department. We take part in policy discussions, interested party meetings, and bureau chiefs' meetings; conduct focused discussions on policy issues with management; and participate in working groups charged with policy change recommendations.



Ensures laws, information, and guidance are easy to understand

The TRA Office suggests ideas for new legislation and participates in task forces and committees responsible for procedure and regulation revisions. Additionally, we routinely review proposed revisions to taxpayer educational materials to ensure they are easy to understand. The TRA Office also provides this information to the public through participation in public forums, business fairs, and conferences.

Conducts Taxpayers' Bill of Rights Meetings

At annual Taxpayers' Bill of Rights meetings, the TRA Office invites the public to present ideas, discuss issues, express concerns, and share recommendations regarding legislation and other items related to CDTFA's administration of tax and fee programs. After the meetings, the TRA Office works with the appropriate areas of CDTFA to address the issues and concerns taxpayers conveyed.

Collaborates with other Government Agency Taxpayer Advocates

CDTFA's Advocate meets quarterly with taxpayer advocates from the Franchise Tax Board (FTB), the State Board of Equalization (BOE), the Employment Development Department (EDD), and the Internal Revenue Service (IRS), as well as the Small Business Advocate in the Governor's Office of Business and Economic Development (GO-Biz), and the Ombudsperson from the Office of Tax Appeals. The group discusses common problems and systemic issues facing California taxpayers. California taxpayers also benefit from the group's coordinated outreach to community groups.

Implements the Taxpayers' Bill of Rights

CDTFA assesses and collects business taxes (sales and use taxes and special taxes and fees). The Advocate reports directly to CDTFA's Director and is independent of CDTFA's tax programs. When the TRA Office receives complaints relating to CDTFA's business tax programs, the office directly accesses all pertinent CDTFA information and communicates with CDTFA team members involved with the taxpayers' issues.

The TRA Office sometimes acts as a liaison between taxpayers and CDTFA team members to resolve issues. If the Advocate disagrees with a team member's actions and is unable to resolve the situation with program management, the issue may be brought to the Director for resolution. In addition, the Advocate has the authority under the Taxpayers' Bill of Rights to take certain actions to protect taxpayers from irreparable harm, such as issuing a stay of collection action, releasing a levy, or ordering the return of levied funds. The Advocate may also decide to release or subordinate a lien when that action will facilitate the collection of the tax liability or will be in the best interest of the State and the taxpayer. Examples of how taxpayers' complaints are resolved are included in the [Business Taxes Issues](#) chapter.





PUBLIC OUTREACH

CDTFA notifies the public of the services offered by the TRA Office in several ways. For example, information about the TRA Office is included in many CDTFA publications, accessible on different websites, and presented by the TRA Office at public events.

PUBLICATIONS WITH TAXPAYERS' RIGHTS ADVOCATE OFFICE INFORMATION

- **Publication 70**, *Understanding Your Rights as a California Taxpayer*, contains information about specific taxpayer rights under the law and the Advocate's role in protecting those rights. This publication is available in all CDTFA offices and on CDTFA's website.
- **Publication 468**, *California Taxpayers' Bills of Rights Statutes*, contains all the Taxpayers' Bill of Rights statutes administered by CDTFA and is available on CDTFA's website.
- **Publication 215**, *Tax Appeals Assistance Program*, explains to prospective clients what help is available from the Tax Appeals Assistance Program, which is overseen by the Advocate (see the [Tax Appeals Assistance Program](#) chapter of this report). It is available on CDTFA's website.
- **Publication 145**, *California Taxpayer Advocates (CDTFA, BOE, EDD, FTB, IRS, OTA)*, is posted on the websites of participating state agencies and the California Tax Service Center website at www.taxes.ca.gov.

Articles reminding taxpayers about their rights and referencing publication 70 are published each year in CDTFA newsletters.

Contact information for key [TRA Office team members](#) can be found at the back of this *Annual Report*.





INTERNET AND TELEPHONE

- The California Tax Service Center website, www.taxes.ca.gov, contains links to all California Taxpayer Advocates' webpages and the [publication 145](#) brochure via the *Your Rights* option under the *Contact Us* tab.
- The TRA Office's webpage, www.cdtfa.ca.gov/tra, can be accessed from any page of CDTFA's website. The webpage provides a means for taxpayers to communicate with the TRA Office directly via email.
- The TRA Office's toll-free number, 1-888-324-2798, is available as an option on all field office phone lines, is referenced on CDTFA publications, and is printed on all CDTFA-issued permits and licenses.

PUBLIC EVENTS

The TRA Office ensures that the public is aware of its services through the following types of events:

- CDTFA-sponsored events. The Advocate, or their designee, attends small business and nonprofit fairs and seminars throughout the state.
- Non-CDTFA-sponsored events. Direct contacts with the public and some presentations are made at conventions, fairs, and conferences designed to assist California business owners. They are sponsored by consortia of industry or business groups, such as the IRS Nationwide Tax Forum, the annual meeting of the California Tax Bar and California Tax Policy Conference, and the California Small Business Day in Sacramento.

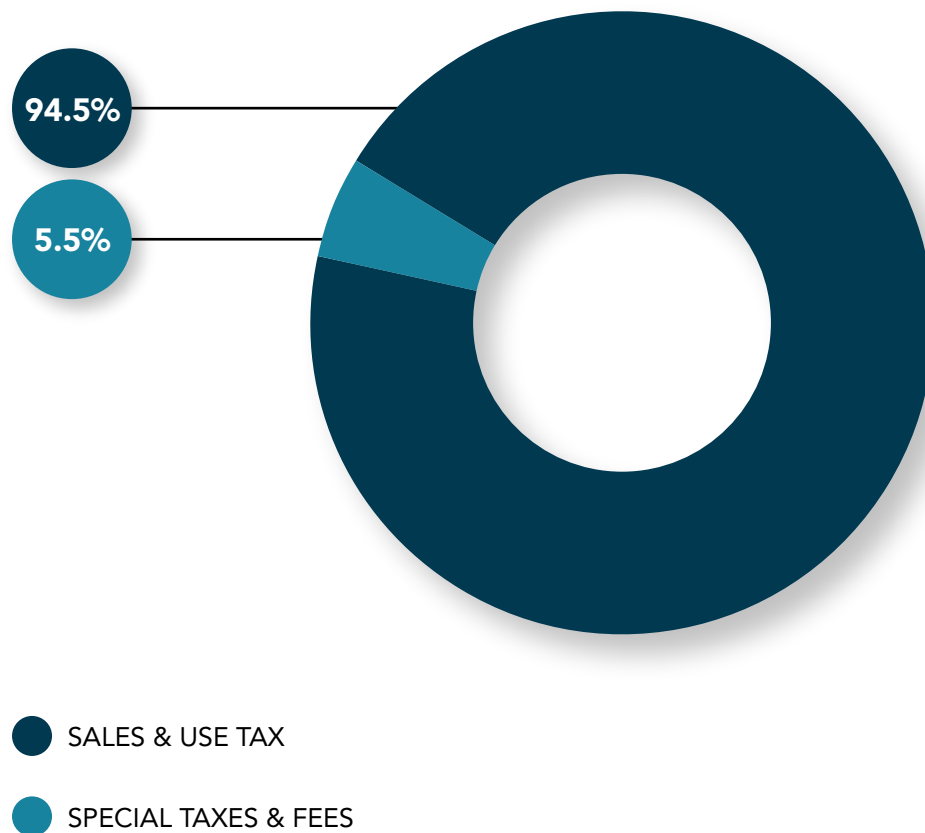


FISCAL YEAR 2021-22 BY THE NUMBERS

CASES

The TRA Office recorded 385 new business taxes cases in fiscal year 2021-22. Of the 385 cases, 94.5 percent were related to sales and use tax issues, while 5.5 percent were special tax and fee issues.²

PERCENTAGE OF CASES BY TAX/FEE PROGRAM



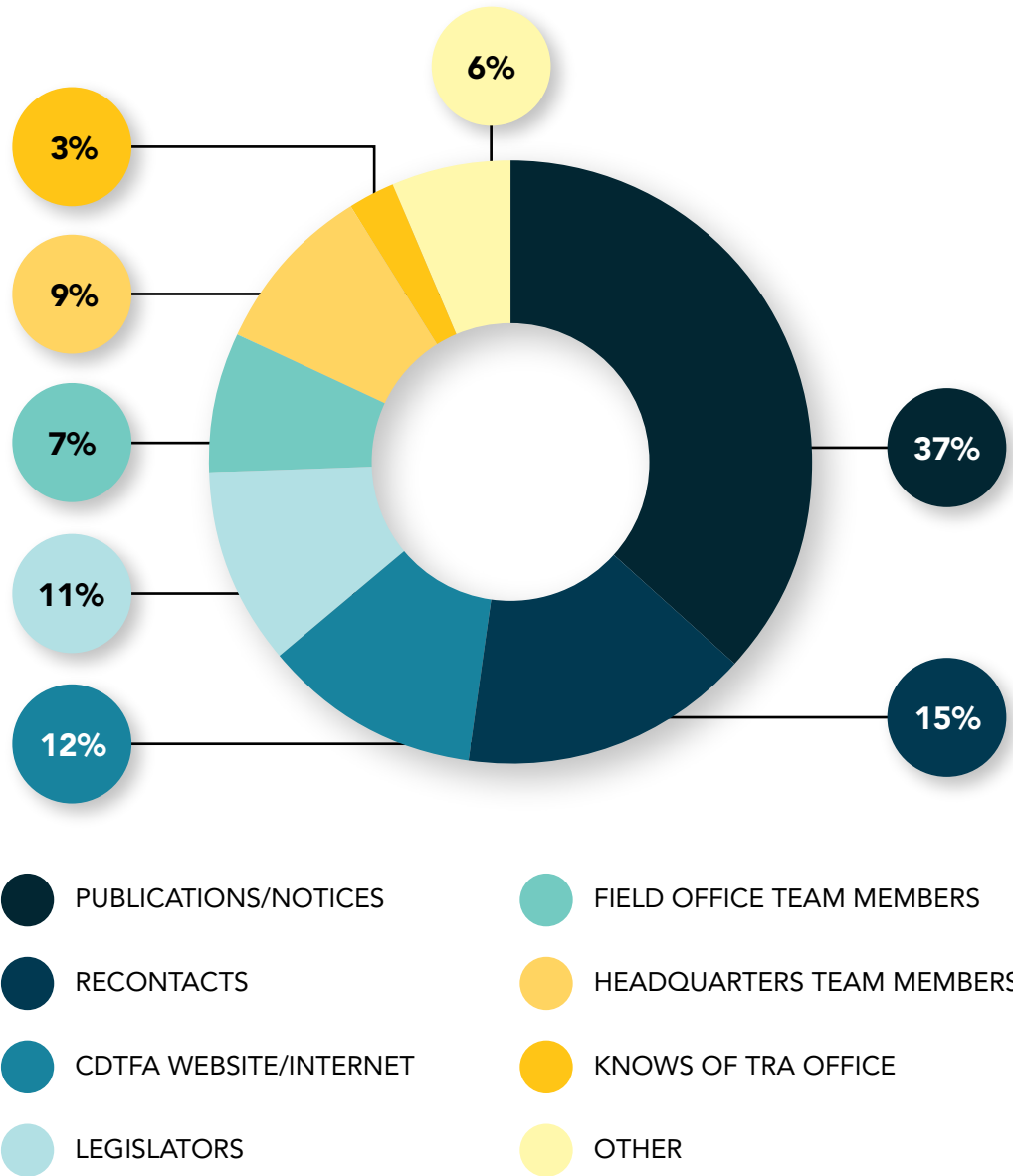
² Calls referred to other agencies were not tracked but historically have been between two and four percent.



REFERRALS

To gauge the effectiveness of the TRA Office's outreach efforts and to improve public service, the TRA Office tracks the source of referrals to its office. CDTFA's website and CDTFA publications accounted for the largest source of referrals.³

HOW TAXPAYERS WERE REFERRED TO THE TRA OFFICE



³ The "Other" category consists of various types of referrals, each comprising less than two percent of the total, including other agencies, customer service center, friends and colleagues, taxpayers' representatives, outreach events, and TRA Office information printed on permits.



TELEPHONE CALLS

The TRA Office received an average of 281 calls per month in fiscal year 2021-22. Six percent of the calls resulted in new cases. Due to the broad availability of the TRA Office's toll-free telephone number, the TRA Office receives many contacts from taxpayers and others who seek general information about a tax program or the application of tax law, or who have not yet attempted to resolve their various concerns with CDTFA through normal channels.

The TRA Office assists all callers, including those seeking information from other state agencies, and directs the callers to the appropriate department, CDTFA section, or individual as necessary. Information on resources, such as CDTFA's website, is also provided. The TRA Office always invites the caller to call back should they not reach the area they need, or if they require additional information.



BUSINESS TAXES ISSUES





CASE RESOLUTION



The TRA Office's cases consist of businesses and individuals liable for sales and use taxes and the various special taxes and fees administered by CDTFA. These tax and fee programs are collectively referred to in this publication as "business taxes." The primary goal of the TRA Office is to ensure that taxpayers contacting the office have their concerns promptly and fairly addressed if they have not been resolved through normal channels.

The Advocate and TRA Office team members have extensive knowledge of CDTFA's programs, policies, and procedures. Therefore, the team advises taxpayers of their rights and obligations, explains the tax law and CDTFA's policies, and seeks creative and appropriate solutions that are acceptable to taxpayers and CDTFA. The TRA Office's independent status allows it to focus on assisting taxpayers within the framework of the law along with the support and guidance of CDTFA experts.

The following are examples of business taxes cases that illustrate the services the TRA Office provided to its customers this year.



ABOUT THE BUSINESS TAXES CASE STATISTICS

During fiscal year 2021-22, the TRA Office recorded 385 new business taxes cases.

Outcome of Business Taxes Cases

[Appendix 1](#) provides information about business taxes cases categorized by location. A specific CDTFA field or Headquarters office or other government agency was designated as the location for a case if the taxpayer contacted the TRA Office regarding an action taken by that specific office. "Other" was generally designated as the location in cases where individuals sought general information or where the office was not disclosed. The TRA Office tracked broad case types and critical outcomes of the cases.

Customer Service Concerns. The TRA Office closely monitors the number and type of customer service concerns raised by taxpayers. The TRA Office and other CDTFA team members work collaboratively to prioritize customer service. Ensuring people are treated fairly and receive quality customer service are key components of the Taxpayers' Bill of Rights. Accordingly, taxpayer complaints regarding customer service are brought to the attention of the field office administrator or Headquarters section manager with a request to investigate the taxpayer's allegations and inform the TRA Office of the findings. If the TRA Office notes a trend or pattern regarding either the types of complaints or a specific CDTFA office, the matter is brought to the attention of the Deputy Director of the Field Operations Division or the Deputy Director of the Business Tax and Fee Division.



Customer service concerns are categorized as:

- *Communication*: providing misinformation, not acknowledging a taxpayer's concerns, not referring the taxpayer to a supervisor when requested, failing to answer specific taxpayer questions, or not providing information or a notice;
- *CDTFA delay*: slow response to an inquiry or delay in issuing a refund or resolving the taxpayer's case;
- *CDTFA team member courtesy*: disrespect or lack of common and kind courtesy to a taxpayer indicated by demeanor, manner of handling the taxpayer's case, or comments made by CDTFA team members; and
- *Education*: lack of information provided regarding the tax law, CDTFA policies, procedures, or training.

Five percent of all cases this year expressed concerns related to customer service. The customer service statistics were based on taxpayers' statements regarding perceived problems, but these statements are not necessarily verified. Please see [Appendix 1](#) and [Appendix 2](#) for more information.

Case Handling Concerns. After investigating a taxpayer's concerns, the TRA Office ascertains the nature of the issue and where the problem lies. In almost all instances, CDTFA team members handled the situation as required by legal, regulatory, and procedural mandates, but other issues or circumstances may still need to be addressed. As a result, the TRA Office may recommend a different approach to satisfy both CDTFA and the taxpayer.

In instances where the TRA Office disagrees with CDTFA's handling of a case, the TRA Office works with CDTFA team members to resolve taxpayers' concerns and to address issues. These instances comprise a small percentage of the business taxes cases – less than one percent in fiscal year 2021-22 (see Appendix 1). A case is recorded as “disagreed with case handling” only when the TRA Office finds that CDTFA team members:

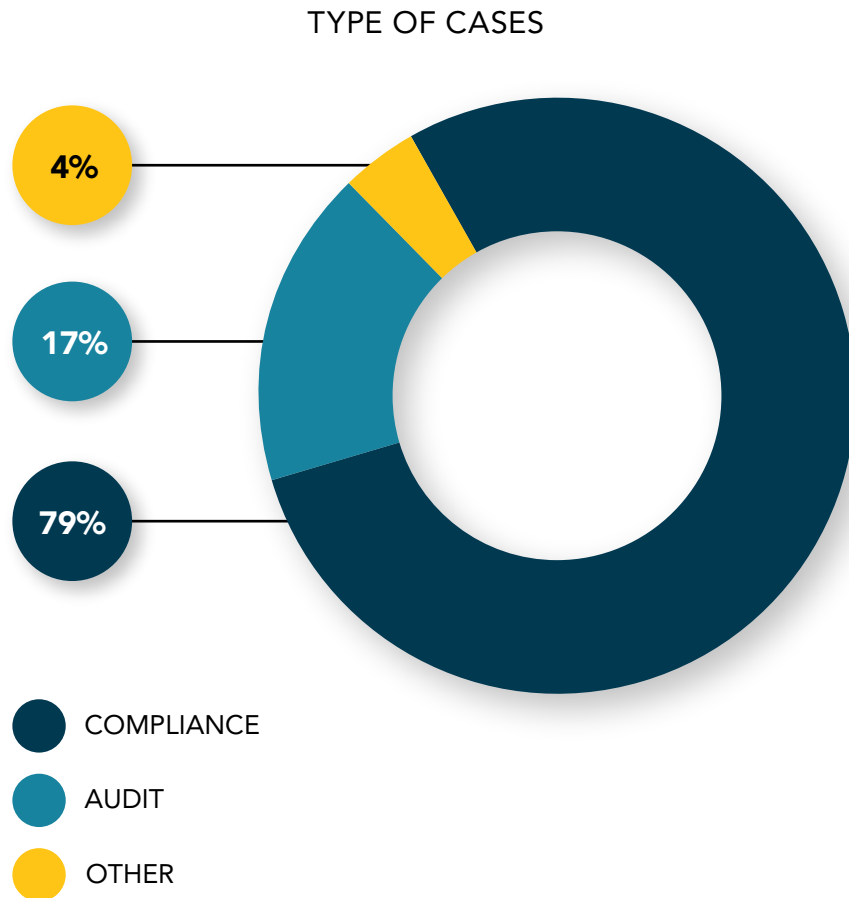
- Did not adhere to the law or approved policies or procedures;
- Acted contrary to what the taxpayer was told by that team member;
- Caused unreasonable delays; or
- Violated the taxpayer's rights.



The Advocate provides a quarterly report to the appropriate bureau chiefs detailing these cases, providing the opportunity to address specific training needs.

Taxpayer inquiries cover a wide range of issues

Types of Cases. Business taxes cases are sorted broadly into “compliance,” “audit,” or “other” categories. The “other” category represents customer concerns and/or complaints, general information requests, and matters involving other government agencies.



Specific Issues Leading to TRA Office Contacts. Each case may contain a variety of issues that prompt the taxpayer to contact the TRA Office. All issues in each case are tracked, and the most common are displayed in [Appendix 2](#).

Not surprisingly, many of the business taxes cases include the need for general information and guidance. Taxpayers often seek information on a procedure or process, or whether CDTFA's action was necessary and in compliance with the law and CDTFA policy.

EXAMPLES OF BUSINESS TAXES CASES

The following cases illustrate how the TRA Office offers a fresh look at taxpayers' issues and often resolves them with CDTFA's cooperation.



The Advocate has the authority to release a levy if a hardship exists

Background. A levy is a collection tool used to seize property when a taxpayer has not voluntarily resolved a liability. The levy is used to collect the taxpayer's interest in or right to money controlled by the taxpayer or a third party. Levies are usually served on banks but can also be served on merchant credit card processors, stock trading companies, third parties, or tenants.

Issue. A taxpayer contacted the TRA because a levy, which he maintained, was causing a hardship. A financial hardship is the inability of a taxpayer to provide the necessities of life such as rent or mortgage, utilities, food, transportation, and health care. Taxpayers claiming a financial hardship should be assisted immediately in case the levy or notice to withhold threatens the health or welfare of the taxpayer or the taxpayer's family and needs to be modified.

The taxpayer must provide reasonable documentation and disclosure of financial condition for a stay or release of levy to be considered. A financial statement, with supporting documentation, will be completed by the taxpayer as part of the financial disclosure request. Failure of the taxpayer to verify financial statement information will result in denial of the appeal.

Compliance Policy and Procedures Manual (CPPM) section 155.022, *Release of Levy* states in part:

Under R&TC section 7094 and equivalent special taxes and fees statutes, the Taxpayers' Rights Advocate may order the release of a levy or notice to withhold, or order the return of levied funds up to \$2,300 received within the last 90 days, upon finding that the levy or notice to withhold threatens the health or welfare of the taxpayer or their spouse and dependents or family.

In order to minimize hardship, early resolution of each situation is the goal. The office responsible for the account has the authority to determine if a hardship exists or will occur and, if so, every effort should be made to take the necessary steps to quickly release all or part of the levied property. Hardship may be defined as the inability of the taxpayer to provide necessities of life. The responsible office will gather and evaluate financial information to determine if seizure of property or funds will cause irreparable hardship to the taxpayer and/or his or her family. The review will focus on health and welfare issues, i.e. the necessities of life and the means to provide them, such as shelter, food, medical care, etc. Each case will be reviewed and judged independently on the specific facts and circumstances involved.

Resolution. The field office completed the initial hardship review per CPPM 155.022. After the review, the field office found the taxpayer had a large balance in his bank account. Because the levy would pay the liability in full and give the taxpayer available funds, the field office believed there was no hardship and would not release the levy.

The taxpayer disagreed with the field office's finding, so the TRA advisor reviewed the taxpayer's financial records. The advisor noticed that the large balance was being slightly reduced each month. The taxpayer confirmed that he was using a small portion of the balance each month to help pay his basic living expenses because his spouse's income was not enough to make ends meet.

The TRA advisor compared the taxpayer's income and expenses to the Internal Revenue Service (IRS) National Standards. These standards establish basic living expenses. CDTFA uses them as a guideline when reviewing the financial situation of a taxpayer.

Based on this review, the TRA advisor believed the extra funds in the taxpayer's bank account were necessary for the taxpayer to meet monthly living expenses, and the taxpayer would suffer harm under the levy. The TRA advisor brought her findings to the Advocate, who released the levy under R&TC section 7094.



Summary. The Advocate has the legal authority to release the full amount of a levy without limit when the levy threatens or will threaten the health or welfare of a taxpayer or taxpayer’s family. In this situation, the TRA advisor demonstrated that the taxpayer’s unique financial circumstances warranted a release of the levy.

The TRA Office may review an audit liability upon a taxpayer’s request in certain circumstances.

Issue. A taxpayer contacted the TRA Office because he disagreed with the audit liability on his account. He was also having difficulty getting his administrative protest accepted.

Resolution. The TRA advisor listened to the taxpayer and conducted an independent review. In this case, the taxpayer wanted to appeal the audit. However, the taxpayer did not file a timely petition for redetermination. A timely petition for redetermination must be filed within 30 days after a Notice of Determination (NOD) is mailed.

However, CDTFB may, at its discretion, accept a late appeal as an administrative protest if there is a reasonable basis to believe that an erroneous NOD was issued. After helping the taxpayer gather documents to support an administrative protest, the TRA advisor discussed the taxpayer’s reasons with the Petitions Section. However, the taxpayer did not meet the criteria for acceptance of an administrative protest.

The TRA advisor also reviewed the taxpayer’s account and discovered that the taxpayer filed several returns that were accepted although the periods for which the returns were filed were already included in the audit liability. Upon learning of the error, the field office reversed the additional tax amounts. The TRA advisor also discovered an error in the audit working papers and discussed it with the auditor, who then conducted a reaudit.

As a result of the TRA advisor’s intervention, the taxpayer’s audit liability was reduced by over \$200,000. The taxpayer paid the liability in full.

Summary. An important function of the TRA Office is to provide independent reviews when taxpayers’ issues have not been resolved by normal channels. In this case, the TRA Office’s intervention and cooperation with the field office resulted in a reaudit and a substantial adjustment to the taxpayer’s liability.



R&TC section 6829 does not apply if a person's failure to pay is not willful.

Issue. CDTFA informed a taxpayer that she would be held liable under R&TC section 6829 for the sales tax debts of a closed corporation. R&TC section 6829 (b) provides in part:

The officer, member, manager, partner, or other person shall be liable only for taxes that became due during the period he or she had the control, supervision, responsibility, or duty to act for the corporation, partnership, limited partnership, limited liability partnership, or limited liability company described in subdivision (a), plus interest and penalties on those taxes.

The proposed liability exceeded \$90,000 due to an audit for the years 2012-2014. The taxpayer believed she should not be billed because she left the corporation in 2014 and had no knowledge of the audit, which began in 2015. She reached out to the TRA Office after concluding that legal representation would be too costly.

Resolution. The proposed liability was due to an audit that started in March 2015 and was billed in February 2017. The TRA Office reviewed the person's documents confirming that she left the corporation at the end of 2014, before the audit began. The TRA Office also referenced Sales and Use Tax Regulation 1702.5, stating that the taxpayer did not willfully fail to pay the audit liability.

Sales and Use Tax Regulation 1702.5, *Responsible Person Liability*, provides in part:

(b) Definition of Terms.

(2) Willfully Fails to Pay or to Cause to Be Paid. As used herein, the term "willfully fails to pay or to cause to be paid" means that the failure was the result of a voluntary, conscious, and intentional course of action. A failure to pay or to cause to be paid may be willful even though such failure was not done with a bad purpose or motive. A person has willfully failed to pay the taxes, or to cause them to be paid, only when the Board establishes all of the following:

(A) On or after the date that the taxes came due, the responsible person had actual knowledge that the taxes were due, but not being paid.

Due to lack of evidence, the TRA Office concluded that it would be unreasonable to infer that the person had actual knowledge that taxes were due (as determined in the audit) but not being paid during the audit period. The TRA Office shared its findings with the field office, and CDTFA declined to issue an NOD against the person.

Summary. In this case, the TRA's independent review and knowledge of the law helped reach a solution before the person was billed. As a result, the person did not have to file a petition for redetermination and was spared a potentially costly and time-consuming appeal.

A limited liability company converted from a corporation does not need a new permit.

Issue. A major retailer converted from a corporation to a Limited Liability Company (LLC). The field office instructed them to close out the sales and use tax permit and open a new permit as an LLC. The taxpayer's accounting firm contended this was contrary to CDTFA policy. Due to the extensive business costs associated with the close out and obtaining a new permit, the taxpayer's accounting firm reached out to the advocate's office for assistance.

Resolution. The TRA Office reviewed CDTFA's policy regarding conversions. According to CDTFA's CPPM section 726.33 which provides in part:

Conversions of corporations are governed by sections 1150-1160 of the California Corporations Code (CCC). In a conversion, the entity that converts into another is, for all purposes, the same entity that existed before the conversion, except that the form of business organization (and possibly the name)



has changed. A corporation may be converted into a “domestic other business entity” if the shares of the converting corporation are treated in conformity with CCC section 1151 in that: (1) each share of the same class of the converting corporation is treated equally with respect to any cash, right, securities or other property to be received and (2) nonredeemable common shares of the converting corporation are converted into non-redeemable equity securities of the converted entity.

An entity in California that wishes to convert to another domestic entity must have an approved plan of conversion that states all of the following:

- *The terms and conditions of the conversion.*
- *The jurisdiction of the converted entity and of the converting corporation, and name of the converted entity after conversion.*
- *The manner of converting the shares of each of the shareholders of the converting corporation into securities of, or interests in, the converted entity.*
- *The provisions of the governing documents for the converted entity, including the partnership agreement or LLC articles of organization and operating agreement, to which the holders of interests in the converted entity are to be bound.*
- *Any other details or provisions that are required by the laws under which the converted entity is organized, or that are desired by the converting corporation.*

Upon review, the TRA Office concluded CDTFA policy supported the taxpayer’s contentions. The TRA Office worked with the Tax Policy Bureau and the taxpayer’s accounting firm to obtain the proper documentation to support the conversion. Once the necessary documents were received, TRA office then contacted the field office to resolve.

Summary. The TRA Office’s knowledge of CDTFA’s policy can play a vital role in resolving taxpayer issues with CDTFA. In this case, once we determined that the taxpayer did not have to open a new permit, the TRA Office worked with CDTFA as well as the taxpayer to bring the matter to a successful conclusion.

ACCOMPLISHMENTS–TRA OFFICE IMPACT

In fiscal year 2021-2022, the TRA Office’s work resulted in the following improvements to business taxes laws, policies, and procedures, as well as training and education provided to CDTFA team members and the public.

TRA Survey – Measuring the Taxpayer Experience

CDTFA is committed to being fair, accessible, and transparent so taxpayers can comply with tax and fee obligations. As part of CDTFA’s quality assurance program, the Taxpayers’ Rights Advocate Office has initiated a taxpayer survey to encourage open communication and government transparency. The survey captures taxpayers’ feedback regarding the quality of customer service they experience.

In February 2022, the TRA Office initiated a monthly survey and sent approximately 13,000 surveys for the fiscal year. Recipients were requested to provide feedback regarding their recent experience with CDTFA. Forty percent of respondents provided comments, and seventy percent of the comments were positive. Negative comments generally discussed the burden of reporting and paying taxes and government in general. Next year, the survey will be expanded, and the results used to find ways to improve taxpayer services, assistance, and information.



TAX APPEALS ASSISTANCE PROGRAM





The Tax Appeals Assistance Program (TAAP) was created by the Taxpayers' Rights Advocate to provide low-income and underrepresented taxpayers who have filed an appeal with CDTFA the opportunity to seek free legal assistance. TAAP provides taxpayer assistance through the appeals process up to and including hearings before the Office of Tax Appeals (OTA). Supervised by CDTFA tax attorneys, law students advise qualifying individuals and businesses who have filed appeals under \$30,000.

TAAP works with several law schools in California.⁴ Schools that have participated include:

- Loyola Law School, Los Angeles
- Chapman University School of Law
- Golden Gate University School of Law
- University of San Diego School of Law
- Lincoln Law School of Sacramento
- University of the Pacific McGeorge School of Law
- University of California, Irvine School of Law
- University of San Francisco School of Law
- Western State College of Law

BUSINESS TAXES APPEALS

TAAP is available to assist taxpayers in all tax and fee programs who have filed appeals under \$30,000 with CDTFA. The program is well-received by participating law schools and its clients. The Advocate will continue to coordinate TAAP cases with both the Appeals Bureau and the Business Tax and Fee Division.

CASE RESOLUTION

During fiscal year 2021-22, 244 individuals and businesses were informed about the program, 64 new cases were accepted, and 31 cases were resolved. TAAP makes a positive difference in the lives of its clients. This year's completed cases have fulfilled the purposes of the program, which are to:

- Provide effective representation to taxpayers with cases that do not economically justify hiring representation;
- Resolve cases to achieve the program objectives of educating and assisting taxpayers in voluntarily complying with California's tax laws while minimizing their tax compliance burden;
- Enhance the preparation and quality of the appeals going to the Office of Tax Appeals (OTA); and
- Promote and achieve more efficient and cost-effective resolution of taxpayer appeals.

⁴ Participation varies from year-to-year.

APPENDIX





APPENDIX 1—OUTCOME OF BUSINESS TAXES CASES

Location	Types of Cases			Total Cases	Customer Service Concerns	Disagreed with Case Handling ¹	Case Handling Changed ²
	Audit	Compliance	Other				
Appeals & Data Analysis Branch	0	1	0	1	0	0	1
Appeals Bureau	3	3	0	6	0	0	0
Audit Determination and Refund Section	0	2	1	3	0	0	0
Bakersfield Office	1	0	0	1	0	0	0
Cerritos Office	3	18	0	21	3	0	3
Collections Support Bureau	0	2	0	2	0	0	2
Consumer Use Tax Section	0	4	1	5	0	0	1
Culver City Office	7	12	0	19	2	0	2
Customer Service Center	0	0	0	0	0	0	0
El Centro Office	0	4	0	4	0	0	0
Fairfield Office	0	2	0	2	0	0	0
Fresno Office	1	12	2	15	0	0	0
Glendale Office	5	22	0	27	2	0	3
Investigations (Cigarette/Tobacco)	0	0	0	0	0	0	0
Irvine Office	4	17	0	21	3	0	1
Motor Carrier Office	0	3	0	3	0	0	0
Oakland Office	2	15	0	17	1	0	1
Offer in Compromise Section	0	6	0	6	0	0	0
Other ³	1	5	6	12	0	0	0
Other Government Agencies	0	2	0	2	0	0	0
Out-of-State Offices	6	4	0	10	0	0	0
Petitions Section	0	0	0	0	0	0	0
Program and Compliance Bureau	2	10	0	12	0	0	1
Rancho Cucamonga Office	1	9	1	11	1	0	1
Rancho Mirage Office	1	1	0	2	0	0	0
Redding Office	1	4	0	5	0	0	1
Return Analysis Unit	0	2	0	2	0	0	0
Riverside Office	5	16	1	22	1	0	3
Sacramento Office	8	41	0	49	3	0	2
Salinas Office	0	0	0	0	0	0	0
San Diego Office	5	16	2	23	0	0	2
San Francisco Office	3	12	0	15	1	1	2
San Jose Office	4	9	0	13	1	0	3
Santa Clarita Office	1	2	0	3	0	0	0
Santa Rosa Office	0	6	0	6	1	0	0
Settlement & Taxpayer Services Bureau	0	0	0	0	0	0	0
Statewide Compliance and Outreach Program	0	0	0	0	0	0	0
Tax Policy Bureau	0	0	0	0	0	0	0
Use Tax Administration Section	0	17	1	18	0	0	1
Ventura Office	2	12	0	14	0	0	1
West Covina Office	1	12	0	13	2	0	2
Total	67	303	15	385	21	1	33

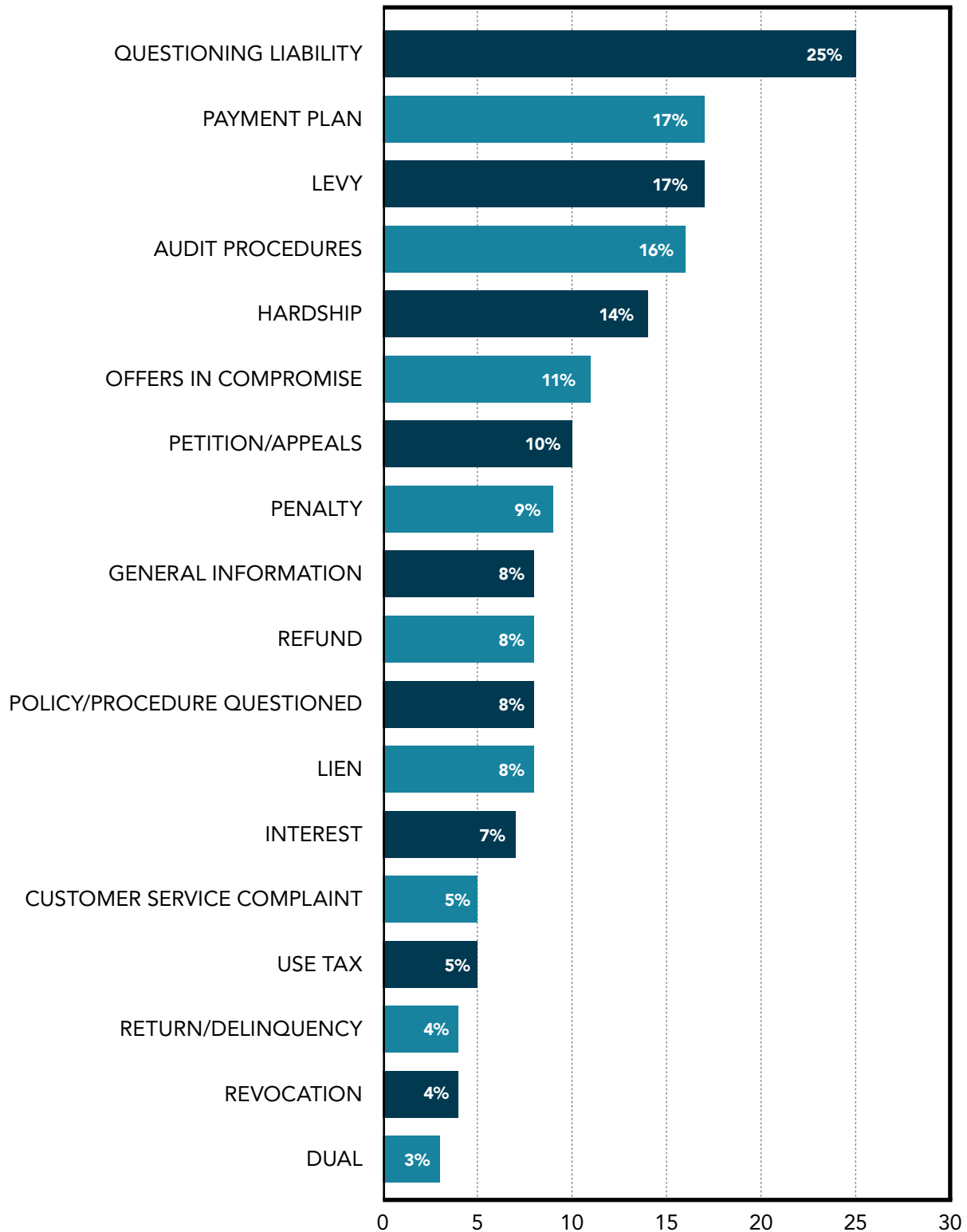
¹ To facilitate improved CDTFA team member training, the Advocate provides a quarterly report to the appropriate senior management and division manager detailing cases in which the TRA Office disagreed with how CDTFA team members handled the case. See the [Business Taxes Issues](#) chapter for additional information.

² Involvement by the TRA Office resulted in a change to the outcome of a case. See the *Business Taxes Issues* chapter for additional information.

³ The category of “Other” under “Location” includes cases that have no office of origin—for example, contacts from the public asking questions about how tax applies or requesting general information, or cases where the office was not disclosed.



APPENDIX 2—MOST COMMON CASE ISSUES





TAXPAYERS' RIGHTS ADVOCATE OFFICE CONTACT INFORMATION

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