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Hi, this is Chris Micheli with the Sacramento governmental relations firm of Aprea & Micheli, and an adjunct professor at McGeorge School of Law. Today's podcast is an overview of California's different tax agencies. Unbeknownst to many Californians, our state tax system actually involves five different state departments and most Californians don't realize that it's the Employment Development Department that is the largest tax collection agency in our state. So here, we're going to provide a broad overview of these five tax agencies.

The first and perhaps most well-known is the Franchise Tax Board or FTB. It's found in Government Code Title 2, Division 3, Part 10, which designated the role of the FTB in 1953. Section 15700 of the Government Code establishes the Franchise Tax Board in state government. It's found in the Government Operations Agency and this code section specifies that the FTB consists of the controller, the director of the Department of Finance, and the chairperson of the State Board of Equalization.

Now, the FTB is deemed by statute to be the successor to all the duties, powers, purposes, responsibilities, and jurisdiction of the former Franchise Tax Commissioner. Then pursuant to Section 1501, the FTB appoints an executive officer who must be confirmed by two-thirds vote of the Senate. In addition, Revenue and Taxation Code Division 2, Part 10.2, Chapter 7, Article 1 sets forth the duties and the powers of the Franchise Tax Board. Basically, the FTB administers the income and franchise taxes for individual and business taxpayers in the State of California. According to the FTB, its mission is to help taxpayers file tax returns timely, accurately, and to pay the correct amount of fund services important to Californians. As you would imagine, the FTB's programs includes tax filings, collections, audits, technology, and legal.

Next is the Department of Tax and Fee Administration, known by its acronym CDTFA. The California Department of Tax and Fee Administration was established in 2017, as part of the state budget accord that year. In Revenue and Taxation Code Section 20.5, CDTFA took over most of the duties, powers, and responsibilities that were previously held by the State Board of Equalization. This is also specified in Government Code Section 15570.22.

Now, in Revenue and Taxation Code, again, Title 2, Division 3 in Part 8.7, it sets forth the role and responsibilities of CDTFA. If you look at Sections 15570 to 15570.100, and again, Part 8.7 was added in 2017, Chapter 1 of this part concerns administration, and Section 15570 establishes within state government CDTFA and places it in the government operations agency. The law actually requires CDTFA's headquarters to be in Sacramento, and as you would probably expect, the governor appoints that director, the chief deputy director, and the chief counsel.

Now, according to CDTFA, its responsibility is to administer the State's sales and use tax, fuel and tobacco taxes, as well as a variety of other taxes and fees that fund specified state programs. In addition, it is the stated mission of CDTFA to

make life better for Californians by fairly and efficiently collecting the revenue that supports essential public services of the state.

Next is EDD, the Employment Development Department, and it's actually one of the largest state departments with employees at hundreds of service locations throughout the State. For more than 70 years, EDD has connected millions of job seekers and employers in an effort to build the economy of the State of California. EDD is actually found in the Unemployment Insurance Code in Division 1, Part 1, Chapter 2, Article 1, and specifically in Sections 301 to 336. In Section 301, it establishes the Employment Development Department within the Labor and Workforce Development Agency. According to the UI Code, the Unemployment Insurance Code, the EDD is vested with the duties, purposes, responsibilities, and jurisdiction that had previously been exercised by the State Department of Benefit Payments as well as certain provisions of the California Health and Human Services agencies regarding their job creation activities.

Now, EDD is administered by an executive officer who is known by statute as the Director of Employment Development, and is vested with the duties, purposes, responsibilities, and jurisdiction previously exercised by the Director of Benefit Payments. Note that in Welfare and Institutions Code Sections 10600 to 10619, among other provisions, EDD is required to investigate, examine, and make reports for the parties that are responsible for the administration and public funds for services that are administered by the EDD.

Next is our State Board of Equalization, the SBE. It's the only tax agency that's found in the California Constitution and it's actually established in Article 13, that deals with taxation, and specifically in Section 17 of Article 13, the BOE or the SBE is provided for in the constitution and is governed by a five-voting member board, which are designated as the State Controller, as well as four members who are elected to four year terms in districts around the State of California, and they are on the ballot the same time as the gubernatorial election is held.

In Section 15 of Article 13, it provides that the state is divided into four SBE districts and that the voters of each district elect one member. Also, like other constitutional officers, no SBE member can serve more than two terms and there are provisions in both the California Government Code and the Revenue and Taxation Code that relate to the BOE. For example, in Government Code Title 2, Division 3, Part 9, it specifies the duties and responsibilities of the State Board of Equalization. In Chapter 1 of Part 9, it provides general provisions related to the SBE, including Section 15600, which specifies that the State Board of Equalization is a part of state government and it limits the SBE to only having eight specified duties, powers, and responsibilities.

Last but not least is our Office of Tax Appeals, also known as OTA, which is an independent entity that was created in 2017, that also created the CDTFA. That Act was known as the Taxpayer Transparency and Fairness Act of 2017. The

mission of the Office of Tax Appeals is to provide a fair, objective, and timely process for appeals from California taxpayers. The OTA is established in state government in the Government Code Title 2, Division 3, Part 9.5, and specifically in Section 15670. Again, that Part 9.5 was added to the Government Code in 2017, as part of that budget accord. Pursuant to Section 15670 of the California Government Code, OTA is under the control of a director who's appointed by the Governor, and the Governor also gets to appoint a chief deputy director and a chief counsel. As you would imagine, the director is subject to confirmation by the California State Senate and the director is required to administer and direct the day-to-day operations of OTA, including staffing, the hearing offices, and the appeals hearings so that taxpayer appeals can be heard and resolved in a timely and efficient manner.

In each OTA office around the state, there are established Tax Appeals Boards, and each of these panels of tax appeals are consisting of three administrative law judges, three ALJs, and the ALJs are designated by the OTA director. These ALJs have to be active members of the state bar, at least for the prior five years, and they have to have knowledge and experience regarding the administration and operation of both federal and state tax and fee laws. Also, these ALJs are required to subscribe and follow the Code of Judicial Ethics that's been adopted by the California Supreme Court.

Then, lastly, we find in the Revenue and Taxation Code Section 20 concerning the general provisions of the tax laws that the OTA has the authority to handle all the appeals that were transferred from the State Board of Equalization to the Office of Tax Appeals.

So that's our overview of the five tax agencies in the State of California. Thanks for joining today's podcast.