



CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

COLLECTION PROCEDURES

*How can I pay my tax or fee amount due?
What actions may be taken if I don't pay?*

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Introduction

If you have received a *Notice of Determination or Demand for Immediate Payment* (billing), it means you have a tax or fee amount that is due and payable by the date indicated.

If you have received such a billing, you need to know:

- Options for paying the amount due, and
- Tax and fee collection and enforcement actions we can take if you do not pay the bill or make arrangements to pay.

This publication is designed to answer those questions.

The California Department of Tax and Fee Administration (CDTFA) will be glad to work with you to resolve your tax or fee problem. Please contact the CDTFA right away if you have any questions about your bill.

Although most of the information in this publication focuses on the CDTFA's Sales and Use Tax Program, similar provisions exist for most of the tax and fee programs administered by the CDTFA.

Pay the full amount due or tell the CDTFA why you can't

You should pay the entire amount due. If you cannot, the CDTFA recommends that you pay as much as you can now. By doing so, you will minimize the amount of interest and any applicable penalty you will owe because interest and penalty accrues on the unpaid tax or fee balance. For your convenience, the CDTFA accepts credit card payments (see [page 3](#)).

If you do not make an effort to pay your amount due, the CDTFA can ask you to find a way to pay it, such as selling or mortgaging any assets you have or getting a loan.

If you cannot pay the full amount, you should contact the CDTFA office that sent you the billing as soon as possible since you may be eligible for a payment plan (see [page 3](#)).

If the debt is not paid, we are authorized by law to take collection actions, which could include levying your bank account, wages, or other income or seizing and selling your assets (see [pages 4-7](#)).

Let the CDTFA know if you believe your billing is wrong

If you believe the billing is wrong, let us know as soon as possible. Call the number on your billing, write to the CDTFA office that sent you the billing, call our Customer Service Center at 1-800-400-7115 (CRS:711), or visit your nearest CDTFA office.

Many programs have a statute of limitations that may require specific action from you in a timely manner. For instance, if you receive a *Notice of Determination* you generally have the right to appeal it by filing a *Petition for Redetermination*, usually within 30 days from the date of the *Notice of Determination*. When filed timely, your appeal rights will be protected. For additional information, see [publication 17, Appeals Procedures: Sales and Use Taxes and Special Taxes](#).

The CDTFA will honor your rights as a taxpayer

You have certain rights under the Taxpayers' Bill of Rights and due process laws. For example, you have the right to be treated professionally, fairly, and courteously by CDTFA employees. You also have the right to:

- Meet with a CDTFA supervisor if you cannot resolve a dispute with the employee who handles your case.
- Request copies of documentation from your account file.
- Receive information and assistance in simple language to help you comply with the various tax and fee laws we administer.

For more information, please request a copy of publication 70, *Understanding Your Rights as a California Taxpayer*.

See [page 8](#) for the telephone number and address of the Taxpayers' Rights Advocate Office.

Items to Note

The CDTFB may share your tax and fee information with other government agencies

While most of the information you provide to the CDTFB is confidential, some is subject to public disclosure, such as the information on your seller's permit. Under certain conditions, your account information, including underreporting and outstanding amounts due, may be shared with other government agencies.

The CDTFB may contact a third party for information about your business affairs

The CDTFB is authorized by law to obtain information from any party who may have information regarding your business affairs. This may include notifying your suppliers or vendors if your seller's permit has been revoked (suspended).

The CDTFB needs to know if you are involved in bankruptcy proceedings

Contact your nearest CDTFB office if you or your business has filed a petition for bankruptcy. While the proceeding may not eliminate your tax or fee debt, we may suspend collection actions—such as liens and levies—for a period of time while your bankruptcy case remains pending.

If you are no longer a business partner, your amount due may be limited

Partners are separately and jointly responsible for amounts owed by the partnership. Partnerships must notify us immediately, either by phone or in writing, if they drop or add a partner in order to protect former partners from amounts due by the business after the partnership changes. If you leave the partnership, you should notify the CDTFB immediately by either phone or in writing. If you do not, you could remain liable for business taxes that became due during the quarter in



which you left the partnership and three subsequent quarters.

You may not be required to pay if you qualify as an innocent spouse or innocent registered domestic partner

Under the Sales and Use Tax Law, a person who qualifies as an *innocent spouse* or *innocent registered domestic partner* is not liable for tax, fee, interest, and penalty charges. To qualify, all of the following conditions must be met:

- The amount due must be attributable to your spouse or registered domestic partner, and
- You must establish that you did not know of the amount due, and that a reasonably prudent person in your circumstance would not have had reason to know of the amount due, and
- The CDTFB must determine that it would be inequitable to hold you liable for the amount due, taking into account whether you significantly benefited directly or indirectly from the nonpayment, and taking into account all other facts and circumstances.

If your request for innocent spouse or innocent registered domestic partner relief is denied, you may be eligible for "equitable relief," which weighs a variety of factors, such as your economic situation and whether as a result of dissolution, responsibility

for the tax or fee that was assigned to you or your spouse or registered domestic partner. The CDTFB may request additional information to make that determination.

Further information is available in [publication 57, Innocent Spouse Relief from Sales and Use Tax](#).

You may personally be required to pay taxes owed by a corporation, partnership, or limited liability partnership or company

Under certain circumstances, responsible individuals may be liable for tax, penalty, and interest owed by corporations, partnerships, limited liability partnerships, and limited liability companies.

If you have received a *Notice of Proposed Determination* indicating that you are being held personally liable and you believe you are not, please contact the CDTFB office that sent you the notice within 15 days of the date of the *Notice of Proposed Determination*. If you later receive a billing (a *Notice of Determination*) and you disagree with it, you will need to file a timely appeal (see *Let the CDTFB know if you believe your billing is wrong*.) *Please note:* if you file your appeal before receiving a *Notice of Determination*, your appeal will be rejected as not timely.

Payment Options

The CDTFB accepts credit card payments, and electronic payments, or the agency can work with you to make other payment arrangements. You may be eligible to pay under a payment plan or you may be eligible to propose an offer in compromise.

■ Electronic Payment

You may pay your amount due electronically by using our online payment process. We will electronically withdraw funds from your checking or savings account to apply towards your current and past due amounts. Please visit the CDTFB

website at www.cdtfa.ca.gov and click on [Make a Payment/Prepayment](#). There is no fee for this option.

■ Credit Card

You may pay your amount due by credit card. The CDTEFA accepts credit cards issued by VISA, MasterCard, American Express and Discover/Novus. For additional information on credit card payments, please visit the CDTEFA website at www.cdtfa.ca.gov and click on [Make a Payment/Prepayment](#). You can also make a credit card payment by calling 1-855-292-8931.

Please note: A service fee of 2.3 percent of the transaction amount (\$1.00 minimum) applies to all credit card payments. The service fee is retained by the credit card processor and is not revenue to the CDTEFA.

■ Online Payment Plan

You can set up a weekly, biweekly, or monthly payment plan through our online automatic withdrawal process. Payments are required to be electronically debited from your checking or savings account. As always, the CDTEFA encourages payment in full to avoid additional interest and penalties. If you are unable to pay the full amount, the CDTEFA recommends you propose the largest payments possible because the tax and fee portion of the amount due will continue to accrue interest. Accounts that meet our predetermined guidelines will receive instant response if approved. Proposals that require further review may be required to submit a [CDTEFA-403-E, Individual Financial Statement](#), with supporting documentation. Approval of a payment plan is at the CDTEFA's discretion. For more information or to submit a payment plan, visit our [website](#) and click on [Make a Payment/Prepayment](#).

If you do not have a checking or savings account, please contact your local CDTEFA office or collection section.

If you do not pay in full or contact

us to make other arrangements, we are authorized to take collection actions as described on [pages 4-7](#). If you cannot meet an established due date, you should contact the collector assigned to your account to avoid possible collection actions.

Before I apply, what else should I know about a payment plan?

It may be more costly

A payment plan is more costly than paying the full amount you owe and may be more costly than borrowing funds to pay the amount you owe.

Why? While you are making payments on your tax or fee debt through a payment plan, the CDTEFA will continue to charge interest on the unpaid portion of the tax or fee amount due. The interest rate on a bank loan or a cash advance on your credit card may be lower than the combination of penalties and interest that we charge on unpaid billings.

If you received a Notice of Determination (billing), but failed to pay the amount due by the due date, you will generally be assessed a 10 percent "finality" penalty. Under certain circumstances, we may waive the 10 percent "finality" penalty.

If you were charged a 10 percent finality penalty, the CDTEFA may waive the penalty if your payment plan is initiated and accepted within 45 days of the due date of the notice. Your payment plan must be successfully completed for the penalty to be waived.

The CDTEFA may still file a state lien on your property

The CDTEFA may still file a state lien—even if your payment plan is accepted (liens are discussed on [page 4](#)). However, we may withhold the lien based on the financial documentation submitted with your initial payment.

The CDTEFA may terminate the payment plan under certain conditions

The CDTEFA may terminate the payment plan if you pay late, miss a payment, don't file and/or pay all required tax or fee returns, or if you do not comply with other terms of the agreement. We will send you a letter giving you 15 days to pay in full or provide a satisfactory explanation.

As noted earlier, the finality penalty will not be waived if we terminate the payment plan.

After 15 days, we may take further collection action without notification (see [pages 4-7](#) for more information).

How do I apply?

You should contact the CDTEFA as soon as possible if you would like to request a payment plan for your sales or use tax amount due. Contact the CDTEFA office that sent you the billing.

For other tax or fee programs, call our Customer Service Center, 1-800-400-7115 (CRS:711).

What should I do if my financial situation changes after my payment plan is approved?

Your payment plan is based on your financial situation. Consequently, you should immediately contact the collector assigned to your account, as identified on your payment agreement, if there is a change in your financial situation, and you need to change the terms of your payment plan.

■ Offer in Compromise

The [Offer in Compromise Program](#) allows eligible taxpayers and fee payers to satisfy their amount due by paying a lesser amount. The program applies to most taxes and fees and is available if the following apply:

- You agree with the amount due and the amount due is final, and
- The CDTEFA determines you do not have, and will not have in the foreseeable future, the income, means or assets to pay the amount due in full.

The following documents must be submitted in order for the CDTFA to consider a partial release of lien:

- The taxpayer or escrow officer's written request explaining why a partial release is needed.
- *Estimated Closing Statement* or schedule of proposed disbursements for both buyer and seller.
- *Preliminary Title Report* reflecting CDTFA liens.
- Appraisal Report or a report of comparable properties for the neighborhood, with a statement of the property's market value.
- Short sale approval letter(s) from lender(s), if applicable.

Please allow **30 days** for the CDTFA to process your request. The documents submitted must be current at the time of submission, and additional documents may be required. To obtain information for the CDTFA office/unit handling your CDTFA tax account, please call our Customer Service Center at 1-800-400-7115 (CRS:711).

Escrow demands on CDTFA tax liens

The Collections Support Bureau of CDTFA processes written requests for payoff demands on its state tax liens on real property.

These requests may be submitted by fax or by mail to:

California Department of
Tax and Fee Administration
Collections Support Bureau
PO Box 942879, MIC:55
Sacramento, CA 94279-0055
Fax: 1-916-327-0615

Please allow at least two business days for the CDTFA to review and respond to your request.

The demands for the bulk sale of a business are prepared by the CDTFA offices. To obtain information for the CDTFA office/unit handling your CDTFA tax account, please call our Customer Service Center at 1-800-400-7115 (CRS:711).

Requests for copies of the lien release

At your request, the CDTFA will send out copies of the lien release. For example, you may want to have copies mailed to escrow agents, title companies, or directly to you.

The CDTFA will send you a copy of a release of lien after a lien filed in your name is paid in full. If you need a recorded copy, you can contact us to request the release recordation information. This information may not be readily available, but if it is available, we will provide it so you can obtain a recorded copy directly from the county or the [Secretary of State](#). Please contact your local CDTFA office or collection section.

Withholding a lien

In general, the CDTFA will withhold filing a lien if all of the following occur:

- You enter into an acceptable payment plan,
- The plan will satisfy the amount due within one year,
- You successfully follow the terms of the plan, and
- You have not had collection problems before with the CDTFA.

The CDTFA may levy your property

If you do not pay your amount due or make arrangements to settle your debt, we may levy (seize) any type of real or personal property that you own or have an interest in.

Levies are different from liens. A lien is a *claim used as security* for the tax or fee debt, whereas a levy actually *takes the property* to satisfy the tax or fee debt.

The CDTFA will usually levy property only after we have sent you a *Demand for Payment* and you have neglected or refused to pay the tax or fee.

Examples

- The CDTFA could levy property that is yours but held by someone else—for example, your wages, dividends, bank accounts, licenses, rental income, accounts receivables, the cash value of your

life insurance, or commissions, or

- If you hold an alcoholic beverage license, the CDTFA could seize and sell that license, or
- The CDTFA could seize and sell property that you hold—for example, your boat or vehicle.

If your property is levied or seized and you have questions, you should contact the CDTFA employee who took the action. You may also ask a CDTFA supervisor to review your case. If you are unable to resolve the matter with the supervisor, you may also want to discuss the matter with the [Taxpayers' Rights Advocate Office](#) to ensure proper policies and procedures were followed.

Levying your bank account

If the CDTFA levies your bank account, the levy generally only captures the funds on deposit at the time the bank receives the levy (up to the amount of the levy).

The bank must hold the captured funds you have on deposit for 10 days. This period allows you time to file for a hardship hearing, to show that the funds are exempt from levy under federal or state law, or to make other satisfactory arrangements to pay.

After 10 days, the bank must send the money plus additional interest if it applies, to the CDTFA. Once the CDTFA deposits the captured funds, you would need to file a claim for refund to request return of the funds. To discuss your case, call the CDTFA employee whose name is shown on the *Notice of Levy*.

The CDTFA must release your levy if any of the following occur:

- You pay the amount you owe in certified funds (cash, cashier's check, or money order).
- The CDTFA determines the levy is creating a significant economic hardship for you.

If we have mistakenly levied your account

If you paid bank charges because of a mistake the CDTFA made when the

agency levied your account, you may be entitled to reimbursement. You must file a reimbursement claim with the CDTFA within 90 days after we issued the levy. Your claim should be mailed to the CDTFA office that sent the *Notice of Levy*.

Levying your salary or wages

The CDTFA may issue a levy on your wages, or an *Earnings Withholding Order*, which typically seizes 25 percent of your after-tax income from each paycheck.

If you request a hardship hearing, one will be provided to you by a CDTFA supervisor or office lead person. You will be asked to complete a [CDTFA-403-E, Individual Financial Statement](#), and provide supporting documentation of your inability to pay. If you have a documented hardship, the withholding order may be reduced or released.

If the CDTFA levies your salary or wages, the levy will end when:

- The levy is released,
- You pay your amount due, or
- The time expires for legally collecting the amount due.

To discuss your case, call the CDTFA employee whose name is shown on the *Earnings Withholding Order*.

Releasing your property

If the CDTFA seizes property you hold, such as your boat or vehicle, we may release the property prior to its sale date if:

- You pay the amount of the CDTFA's interest in the property,
- You enter into an escrow arrangement,
- You furnish an acceptable bond,
- You make an acceptable agreement for paying the tax or fee, or
- The expense of selling your property would be more than the tax or fee debt.

Returning levied property

We can consider returning levied property if:

- It is determined that we did not follow our own procedures.
- You have entered into a payment plan (see [page 3](#)).
- Returning the property will help you pay your amount due.
- Returning the property is in the state's and your best interest.
- We receive a valid claim of exemption or third-party claim.

Assets legally exempt from levy are listed on the CDTFA-425, *Exemptions from the Enforcement of Judgments*, provided to you with a copy of the *Notice of Levy*. A claim of exemption must be filed within 10 days after the *Notice of Levy* was delivered to you or 15 days after the Notice was mailed.

If the levy captures property belonging to another person who is not liable for the unpaid tax or fee, the person may file a third-party claim. The claim must be filed before the property is transferred to the CDTFA.

The CDTFA may require a higher security deposit

If you have an active business and have had a poor compliance history, such as failing to pay a tax return when due or paying with a check that is dishonored, the CDTFA may require you to post security to protect the state's interests. If you have already posted security, the CDTFA may increase the amount of required security. Generally, you may be required to post an amount equal to six months of the average tax owed by the business. The minimum security requirement for a seller's permit is \$2,000, the maximum is \$50,000. Security will be returned after an account has had no payment problems for three consecutive years.

To learn more about security requirements for programs other than Sales and Use Tax, you may call our Customer Service Center at 1-800-400-7115 (CRS:711) for assistance.

We may issue a "till-tap" or "keeper" warrant

If you have an active business and have not paid sales tax that is due and final, the CDTFA may serve a civil warrant to the California Highway Patrol or the local sheriff to enter your business and collect the gross receipts or contents of the cash register(s).

A till-tap warrant typically gives instructions to the officer to collect the contents of the till (cash register[s]) upon arrival at the place of business.

A keeper warrant typically instructs the officer to leave a representative at the place of business for a full day and to collect the proceeds of the business. A keeper warrant, however, may be requested for a period up to 10 days.

The CDTFA will generally use either warrant only after verbal and written requests and other avenues of collection have been unsuccessful.

By law, the CDTFA can collect the warrant fees that are assessed by the law enforcement agency from the business owner.

The CDTFA may revoke (suspend) your seller's permit

The CDTFA may suspend your seller's permit if you do not file a tax return on time or pay the sales or use tax amount due on time. The CDTFA may also suspend your permit if the agency requires you to post security but you do not. Typically, the CDTFA will not suspend a permit unless we have exhausted all other remedies.

Hearing notification

The *Taxpayers' Bill of Rights* requires that you be given 60 days notice prior to revocation (suspension) of your permit. A hearing will be scheduled and you will be notified in writing of the hearing date 10 days in advance. Within those 10 days, you must show why the permit should not be suspended. If you do not respond, your permit will be suspended. If you do respond, your arguments will be considered at the hearing.

If your permit is suspended and you engage in business afterward, you are guilty of a misdemeanor and may be

prosecuted for each sale. Each offense is punishable by imprisonment not exceeding one year and/or a fine of up to \$5,000, at the discretion of the court.

To reinstate your permit, you must file and pay all past due returns and taxes, and pay a reinstatement fee of \$100 per business location.

If your permit is suspended and you do not pay the tax amount you owe, we may consider criminal prosecution as a last resort.

Your alcoholic beverage license may be suspended or a transfer restriction placed on the license

Your alcoholic beverage license may be suspended if you are three or more months past due in the payment of taxes or penalties due under the Revenue and Taxation Code, or if the taxpayer's bond becomes void or unenforceable for any reason.

In addition, the CDTFA can request the [Alcoholic Beverage Control \(ABC\)](#) to withhold the transfer of certain liquor licenses if you are past due in the payment of taxes.

The CDTFA may cancel your DMV dealer license

As provided in the Vehicle Code, if you hold a dealer license issued by the [Department of Motor Vehicles \(DMV\)](#), the CDTFA may cancel that license if your seller's permit remains revoked (suspended) for more than 30 days.

The CDTFA may post your information on our website

The CDTFA may post your name on the [Top 500 Sales and Use Tax Delinquencies](#) list on our website making your amount due a matter of public record if your amount due is more than one hundred thousand dollars (\$100,000). However, 30 days before we publish your information, we will send you a written notice (certified mail with a return receipt request) to provide you the opportunity to resolve your amount due with us.

If your name is posted to the Top 500 Sales and Use Tax Delinquencies list you may not enter into a contract for goods and services with any state agency.

You may have your other professional and occupational licenses revoked or suspended

If your name is posted to the *Top 500 Sales and Use Tax Delinquencies* list, the law requires a state governmental licensing agency which issues professional or occupational licenses (including driver licenses) certificates, registrations, or permits, to revoke, suspend, or refuse to issue a license.

To avoid CDTFA posting your information on the website or losing your professional and occupational licenses, you must do one of the following:

- Pay your amount due in full.
- Enter into an approved payment plan and timely pay the scheduled payments (see information on Payment Plans).
- If a license you hold is scheduled to be suspended, you should complete the Request for Release Form (provided by the state agency proposing the suspension of your license) and submit it to the CDTFA stating why your license should not be suspended.

The CDTFA may intercept your state refund

The [Franchise Tax Board \(FTB\)](#) administers the [Interagency Intercept Collection Program](#) in conjunction with the [State Controller's Office](#). The FTB is authorized to redirect a refund owed to you to the CDTFA to offset or reduce your tax amount due.

CDTFA is required to send you a *Pre-Intercept Notice*. The pre-intercept notice is included with the *Demand for Immediate Payment* and you are allowed 30 days notice prior to the CDTFA submitting your account to the FTB for offset.

If you have any questions or objections to the amount due on the notice,

contact the CDTFA office indicated on the *Demand for Immediate Payment* within 30 days from the date of the notice and a CDTFA representative will review and discuss your account with you. You have 30 days from the date of the notice to either pay in full or provide documentation to the CDTFA to show the amount you owe is not due. Failure to respond within 30 days from the date of the notice will result in the CDTFA forwarding your account to FTB to proceed with intercept collections.

The CDTFA may assess a collection cost recovery fee

The law requires that we assess a collection cost recovery fee on amounts that are past due. The fee applies to most taxes and fees collected by the CDTFA and is intended to cover costs incurred by the state in obtaining payment of past due amounts. The amount of the fee, which is assessed



on each billing greater than \$250 that remains unpaid for more than 90 days, varies depending on the amount that is past due.

Refunds

After you have paid the tax or fee portion of your amount due, you may file a claim for refund if you believe that you were overcharged or did not owe the amount due.

Collection action for any penalties and interest due will be suspended until your refund request is resolved.

