September 9, 2022

VIA INTERNET

Dear Interested Party:

The Compliance Policy and Procedures Manual (CPPM) is a guide for the California Department of Tax and Fee Administration (CDTFA) in administering tax and fee programs. It is available to the public and can be accessed from the CDTFA web page at http://www.cdtfa.ca.gov/taxes-and-fees/staxmanuals.htm.

The Business Tax and Fee Division is proposing to revise the following CPPM sections:

- Chapter 2, sections 295.090-295.091 to update policies and procedures for registering a customer.
- Chapter 5, sections 505.112-505.115 to update policies and procedures for payment options available to taxpayers.

The revision material is provided on the following pages for the convenience of interested parties who may wish to submit comments or suggestions. Please feel free to publish this information on your website or otherwise distribute it to your association/members.

If you have any comments or suggestions related to the proposed CPPM revisions, you may contact the CDTFA at CPPMRev@cdtfa.ca.gov. Your comments or suggestions must be received by the CDTFA no later than October 10, 2022, to be considered. Thank you for your consideration.

Sincerely,

Aimee Olhis, Chief
Tax Policy Bureau
Business Tax and Fee Division
An arbitrary number is assigned to a person who does not hold a permit, or an unidentifiable entity, to accept payments, identify an account, or for use in establishing a liability against an unlicensed or uncooperative person. CDTFA team members can manually register a customer who is not registered in the system and does not hold an account, to accept payments or for use in establishing a liability against an unlicensed or uncooperative person (person is defined in the various tax laws administered by CDTFA and is not limited to an individual or partner).

“Person” is defined in the various tax laws administered by the CDTFA and is not limited to an individual or partner.

Arbitrary numbers often are an interim method of identifying an account or entity until a permit or license is issued or an existing account is identified for the entity. The TAT for sales tax accounts, for example, is SR. The office code designates the office responsible for the account. The numerical portion begins in the series 52–000000. For dual determinations, the series begins with 53.

The assignment of an arbitrary number occurs when the need to manually register a new customer/account can occur when CDTFA receives tax returns, payments, or significant correspondence that cannot be associated or identified with a permit or an existing account. Under these circumstances, when an account permit is subsequently issued or the proper account found, returns, remittances or balances previously posted to the arbitrary number may be allocated or transferred to the proper permit account. This process is initiated at the field or Headquarters office through the preparation of CDTFA—523, Tax Return and/or Account Adjustment Notice, Headquarters’ office, concurrent with the issuance of the new permit account or license.

Payments in full received from taxpayers who are no longer operating and who did not hold a permit or an account, as well as unidentified payments/documents received in field offices, must have an arbitrary customer account number assigned before transmittal to Headquarters unless they are accounts administered by CUTS (see CPPM section 295.095).

An unidentifiable entity should be manually registered for billing purposes only. This is commonly used for audits and field billing orders (FBO’s). The account is normally opened once it has been determined that the entity is unidentified and a billing should be created. The newly opened account should be used to create the necessary billing(s) and immediately closed after placing notes on the account. Arbitrary account numbers are also assigned to unpermitted entities in connection with field audits and field billing orders after a Report of Field Audit or Field Billing Order has been transmitted to Headquarters. The need for assigning an arbitrary account number under these conditions should be avoided whenever possible.

When manually registering a customer and account, regardless of the reason, every reasonable effort should be expended by the office responsible for the account to place the unidentifiable unpermitted entity involved under proper permit before the audit or field billing order is transmitted to Headquarters, the proper account and these efforts should be documented as a note on the Customer springboard when the new customer is registered. If the taxpayer is unwilling to obtain an account, team members should gather as much information as possible to register the account manually, and document the taxpayer’s refusal to
voluntarily register. When the assignment of an arbitrary account number is unavoidable and the account is placed under permit at a later date, the arbitrary account number is normally abandoned and all material, data, and postings are transferred to the new account. The CDTFA–523, Tax Return and/or Account Adjustment Notice, is prepared by the field office and a copy forwarded to the Return Analysis Unit.

PROCEDURE TO ISSUE ARBITRARY ACCOUNT NUMBERS

REGISTER A CUSTOMER

Control of Arbitrary Account Numbers

Arbitrary Account numbers are internally assigned by the registration system in the same way manual permits are issued. If the registration system is unavailable and the arbitrary account number must be issued right away, an arbitrary account number can be requested on an as needed basis by sending an email to “Registration” or by contacting the supervisor of the Return Analysis and Allocation Section (MIC 32). These numbers are to be issued in the event the registration system is unavailable for a period of time.

Guidelines for Issuance of Arbitrary Account Numbers

Arbitrary account numbers are not issued for CUTS accounts for tax due for the purchase of vehicles, vessels or aircraft, or for special taxes and fees accounts. Please refer to CPPM section 295.095 for procedures related to CUTS accounts. An arbitrary account can be established by assigning the TAT SR (ACC 999) option from the CTS “Client Modify” screen.

Guidelines for Issuance of Dual Determination Arbitrary Account Numbers

Registering a Customer for a Dual Determination

To create an individual customer without an account in the system, you must have a unique identification (ID) such as a social security number (SSN), federal employer identification number (FEIN), or system-generated taxpayer identification number (TIN), as well as the customer’s legal name and a primary address. Team members must search the system for an existing individual before adding an individual customer (see the system’s Help Manager and search for “Add an Individual” and “Adding a Dual Determination Billing”).

The proper procedure to follow when dealing with dual determinations is to issue them through the use of an arbitrary number. Additionally, the arbitrary number must be a “53” series, which has been specifically designated for dual liabilities, and not the “52” series. Using the “53” series will prevent any delinquencies from appearing on the duallee account and will trigger appropriate ACMS programming designed to effectively deal with these accounts.

Regular or Issue-and-Cancel accounts must not be issued to bill any dual liabilities. The use of these accounts for dual purposes results in outstanding delinquencies on these accounts. This is due to the fact that the system expects regular return filings, which in fact will never be filed. The clearing of these delinquencies must then be manually handled by headquarters units, which results in additional unnecessary work for both Headquarters and field staff.

Dual Arbitrary “53” series accounts can be selected after creating the client TIN and then going to the CTS CM—Client Maintenance screen and selecting Arb for arbitrary. A pop up box will then appear where the Dual Arb (series 53) can be selected by placing a “Y” in its corresponding action field.
The registration system automatically assigns an account number. If IRIS is unavailable, the next available arbitrary account number from the block assigned to your office should be entered. When the registration system becomes available, use the account number override capability and assign the number taken from the bank of numbers. Arbitrary account numbers presently begin with “052–9XXXXX”; the “X” is a number issued from the number sequence.

**Taxable Activity Type**

When using the registration system refer to the Business Taxes Code Book, section 100.071, for a list of all TATs administered by the CDTFA. Arbitrary numbers may be issued only for TATs ending in N.

**Owner Code**

The ownership code for the entity, if ownership can be determined, should be entered in the registration system. This entry must match the “Owner” line. If the owner’s name is unknown, enter “Unidentified” on the owner line and the owner code will be generated from the entity type.

**Doing Business As — (DBA)**

Enter the DBA or fictitious name for the account, just as if you were establishing a manual account. If no DBA is used, make no entries.

**Owner**

Enter the name of the owner or entity, just as if you were establishing a manual account. Courtesy titles such as Ms., Mr. or Miss are not entered. If the owner’s name is unknown enter “Unidentified” on the owner line.

**District**

The district field refers to the office of control. This office is established by where the business is located.

**Business Address**

When using the registration system, enter the business address just as if you were establishing a manual account. If unknown enter the city, state and zip code.

**Tax Area Code**

The registration system will generate three area code choices at the time the address of the business is identified. When IRIS is unavailable and a specific area code cannot be determined, enter the county code followed by “999,” plus any add-on and in-lieu codes applicable to the county.

For example, an account in San Diego County where the exact location cannot be determined would show area code: 37999–017–0000.

In the rare instance where no specific location or county of operation can be located, use area code “59999–000–0000.”

The Program and Compliance Bureau administers all fuel programs. In-state fuel tax area codes are coded to the county where the books and records needed for audit and compliance activities are, followed by “000–000–0000.” For example, a fuel account located in Ventura County would show tax area code “56000–000–0000.” Out-of-state fuel tax area codes are entered based upon the state or country where the taxpayer is located. See the Business Taxes Code Book for a list of county, state and country codes.
**Mailing Address**
When using the registration system, enter the mailing address as if you were establishing a manual account. If unknown, this space may be left empty for arbitrary accounts. When the mailing address is different from the business address, enter the mailing address on this line.

**Amount of Payment**
If a payment is received, enter the amount. If an entry is made in this area and is the same amount as the liability, make no entry in the “Amt. of Liability” section.

**Amount of Liability**
If there is a liability established by a “No Remittance” return, an audit, or a field billing order and payment in full is not received, enter the amount of the liability due. Make no entry in this section for a “No Change” audit (CDTFA–414–C). If an entry is shown in this area, make no entry in the “Amt. of Payment” section. In the case of a “Partial Remittance” return, place the amount paid on the Amount of Payment line and the balance on the Amount of Liability line.

**Liability Period**
Enter the dates for which the arbitrary account is established. In the left side of the box show the beginning date in MM/DD/YY format, and on the right side show the ending date in MM/DD/YY format. For example, an account established for January 3, 2013 through May 27, 2013, would be entered as 01/03/13 — 05/27/13.

**Cross Reference Account Number**
Enter the number of any related regular account affected by this transaction.

**Reason for Issuing**
Enter the reason for issuing an arbitrary number. For example, if a field billing order was prepared, enter CDTFA–414–B; an audit would be CDTFA–414–A; a payment received and transmitted on a tax return would be CDTFA–401; a payment received as a 2–B deposit to secure a clearance for an unpermitted entity would be shown as a CDTFA–487–C or CDTFA–487–D.

If you are unsure about the entry to place in this area, contact RAU for guidance.

**Comments**
The registration system will record who created the account. When the system is unavailable, note the name, office location, and the initials of the person requesting the arbitrary number. This information should be entered into the Comments area, so the originator may be identified when someone other than the originator enters the account information on the system.

**Manual Registration**
To establish a new customer and account in the system, the following information is required:

- A unique ID. Depending on the entity type being registered, a list of IDs is provided from the ID drop-down menu. In the event the ID cannot be obtained, a unique ID for the customer can be created through the system by selecting “System Generated TIN”.
- Legal Name of the entity operating the business
- Primary Address
- Commence (Start) Date
- Filing Frequency
In addition to the above information, team members should obtain as much of the following information (if applicable):

- Previous account holder’s account number and name
- DBA
- Corporate officer names/LLC members
- SOS number
- Driver License/Identification Number
- Mailing address
- Contact phone number and email address

Manual registration activities should be performed based on results of an audit or investigation. Before registering a new taxpayer, team members must search the system for an existing customer to ensure they are not adding duplicate customers in the system (see the system’s Help Manager under “Search for Customers and Accounts”)1. If an existing customer is found in the system, a new account should be linked to that customer using the information gathered during the investigation. If a customer is not located in the system, team members should use the information gathered to register a new customer in the system.

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1 When searching by name, customers with information contained in the prior operating system that was converted into CROS are searched by entering the first name first instead of last name first.
PAYMENT OPTIONS

505.112

When tax/feepayers customers file a prepayment or return online and owe taxes or fees, they are given several payment options. They can pay directly using their bank account (ACH debit), pay by credit card, or pay by check or money order. Please see CPPM section 510.035 for payment requirements for mandatory Electronic Funds Transfer (EFT) participants. In addition, most tax/feepayers customers with past due liabilities can make a payment online from using their bank account or with a credit card. For more information regarding credit card payments, see CPPM section 505.115.

PAYMENT BY ACH DEBIT

505.113

To make an ACH debit payment from a bank account, tax/feepayers must log in on the CDTFA website with their User ID and password, or by using the Express Login method. A unique express login code is assigned to each account (see CPPM section 505.030). To make an online payment from a checking or savings account, tax/feepayers need the following information to complete the transaction:

To make an ACH debit payment from a bank account, customers must log in through Online Services using their username and password, or by selecting Make a Payment or Make a Prepayment. To make an online payment using a checking or savings account, customers will need the following information to complete the transaction:

• Bank account name,
• Bank account number,
• Bank routing number, and
• Account type (checking or savings).

The National Automated Clearinghouse Association (Nacha) requires WEB Debit Account Validation (account validation) of consumer (personal) bank account information upon its first use. Account validation is intended to help prevent fraudulent or otherwise incorrect or unauthorized payments and is only required on personal checking or savings accounts, not business accounts. When ACH debit payments are submitted using new personal checking or savings accounts, a prenote (zero-dollar test) is sent to the customer’s financial institution prior to processing the payment. The prenote is used to validate the customer’s bank account information.

While the validation process is occurring, the web request for payment will continue to show “processing.” The entire process takes five to six business days, depending on whether the payment is submitted before or after the 3:00 p.m. Pacific time cutoff. The payment retains its original submitted date as the effective date.

When tax/feepayers enter incorrect bank information when paying by ACH debit at the time they file online, the CDTFA is sometimes notified through a Notification of Change report from the tax/feepayer’s financial institution instead of dishonoring the payment. The CDTFA sends the tax/feepayer a written notification informing them that the bank information must be corrected. If they do not comply with the CDTFA’s request to correct banking information, the Return Analysis Unit, Return Processing Branch, or Motor Carrier Office will add Account Characteristic Code (ACC) 44 on non-EFT accounts to
prevent the bank information from pre-populating when tax/feepayers attempt to pay by ACH debit at the time they file online. If a subsequent ACH debit payment is made with an online filing and it contains corrected bank information, the code will be removed to allow the prefill option.

When customers enter incorrect bank information when paying by ACH debit, CDTFA is notified through the Notification of Change (NOC) report from the customer’s financial institution. CDTFA automatically corrects the banking information on the payment and sends the customer a CDTFA-1764, Notification of Change, letter informing them that the bank information must be corrected the next time they submit a payment. An NOC report will also correct incorrect banking information in response to a prenote. If an NOC is received on a prenote, a work item is created in the system which automatically corrects the banking information on the payment, sends the NOC letter, and closes the work item. Once the NOC is received, the corrected payment is sent to the bank for immediate processing.

PAYMENT BY CHECK OR MONEY ORDER 505.114

If tax/feepayers want Customers who wish to pay by check or money order when they file prepayments or returns online, they must select the “Pay by Check” option. After the filing is submitted online, a voucher will print below the confirmation page. The voucher shows the amount due, including penalty and/or interest, if applicable. Mailing instructions are included on the voucher.

PAYMENT BY CREDIT CARD 505.115

Generally, most taxpayers Customers can use a credit card to make prepayments, return payments, and payments towards an account balance on their accounts. The following types of accounts:

1. Sales and/or Use Tax,
2. Prepayment of Sales Tax on Motor Vehicle Fuel Distributions (SG),
3. Special Taxes and Fees, or

A list of authorized credit cards and the applicable service fee is available on the CDTFA website at www.cdtfa.ca.gov. The service fee will be paid directly to the credit card processing vendor by the taxpayer and will not be seen on any IRIS screens since it is not revenue to the CDTFA-customer, and is not seen in the system because it is not revenue to CDTFA.

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

Credit card payments can be made online or by touch-tone phone. The number can be accessed from the “Make a Payment” page. When using the Internet option the taxpayer will be routed to the credit card processing vendor’s website.
Credit card payments can be made via CDTFA’s website, whether the customer logs in with their username and password or not, by selecting “Make a Payment” through Online Services, online through the credit card processor’s website, or by touch-tone phone. The telephone number and credit card processor’s website can be accessed from the “Make a Payment” page on CDTFA’s website.

If a taxpayer-customer files a paper return, the taxpayer-customer should also mark the box on the form indicating they have paid by credit card. Even though a taxpayer-customer pays by credit card, the taxpayer-customer must still complete the return or prepayment filing timely.

For payments of $100,000 or more, taxpayers-customers must call the CDTFA’s credit card processing vendor for assistance. The name and telephone number of the credit card vendor is on the CDTFA’s website. The taxpayer-customer may also need to contact their credit card issuer for preapproval.

If the taxpayer-customer sends a paper return in which the liability is $15,000 or more, and the taxpayer does not check the box on the return to indicate payment is by credit card, the Cashier Unit Tax Revenue Branch will process the return as non-remittance (NR) or partial remittance (PR) and will provide notification to the office of control for the account (via e-mail) that the taxpayer has not paid indicating the customer did not pay the return liability. Staff Team members in the office of control should review PAY Ba the system for the return’s credit card payment. If no payment is found and the taxpayer states that customer claims they paid by credit card, the staff team member should contact the Return Analysis Unit to have the payment traced.

Although taxpayers must make credit card payments through a processing vendor, general questions regarding this program will be handled by the CDTFA’s Customer Service Center (CSC). Account specific inquiries regarding credit card payments will be referred to the Return Analysis Unit or appropriate special taxes and fees staff team member. General information and frequently asked questions can also be found on the CDTFA’s website.