

AMENDMENT DATE:	April 29, 2010	BILL NUMBER:	AB 2375
POSITION:	Neutral	AUTHOR:	W. Knight
SPONSOR:	BOE Board Member Michelle Steel	RELATED BILLS:	SB 1028

BILL SUMMARY: Sales and Use Taxes: State Board of Equalization

Under existing law, persons who are late in payment of their sales and use tax obligations are required to pay a penalty, plus monthly, simple interest on those unpaid taxes from the date the tax is due to the date upon which they are paid. The rate of interest for late payments is currently seven percent annually. Whether a payment is one day late or 29 days late, an entire month’s interest is charged for late payments.

Under existing law, the Board of Equalization (BOE) has authority to relieve a late payment penalty when the BOE finds that the taxpayer’s failure to make a timely payment is due to reasonable cause and circumstances beyond the taxpayer’s control, and occurred notwithstanding the exercise of ordinary care and the absence of willful neglect. However, interest on a late payment is generally not relievable, except in cases of a disaster or where the failure to pay the tax timely was due to an unreasonable error or delay by a BOE employee.

This bill would authorize the Members of the BOE Board, meeting as a public body, to relieve all or any part of interest imposed, not to exceed \$50,000 during any 12-month period, on a late payment if they find that a person’s late payment was due to extraordinary circumstances and that it is inequitable to compute interest as the law requires, when all of the following apply:

- The person was granted relief from all penalties that applied to the late payment.
- The person has paid the tax on which the interest is imposed, or, in the case of an unpaid tax liability for which a petition for redetermination is pending, the person pays the tax on which the interest is imposed within 30 days from the date the final decision of the Board on that petition was issued.
- The person files a request for an oral hearing before the BOE Board.
- The person files a statement with BOE under penalty of perjury setting forth the facts upon which the claim for relief is based and any other information the Board may require.

FISCAL SUMMARY

Finance concurs with BOE estimates that some minor and absorbable costs would be incurred due to an increase in the number of cases coming before the Board with a corresponding increase in staff workload to prepare the cases for hearing.

The limited interest relief this bill would provide would result in annual interest loss of less than \$10,000.

COMMENTS

Finance notes the following with regard to this bill:

- This bill could encourage taxpayers who inadvertently missed the payment deadline by one day to pay tax promptly so that they could be considered for relief of the entire remaining month’s interest charge.

	SO	(Fiscal Impact by Fiscal Year)							
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
0001/Major Rev	SO	No		----- See Fiscal Summary -----					0001