



CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION
OFFICE OF THE DIRECTOR
651 BANNON STREET, SUITE 100, SACRAMENTO, CA 95811
PO BOX 942879, SACRAMENTO, CA 94279-104
1-916-309-8300
www.cdffa.ca.gov

GAVIN NEWSOM
Governor

AMY TONG
Secretary, Government Operations Agency

NICOLAS MADUROS
Director

October 16, 2024

Honorable Jacqui Irwin, Chair
Assembly Committee on Revenue & Taxation
1020 N Street, Room 167A
Sacramento, CA 95814

Dear Chair Irwin:

Thank you for giving me the opportunity to update the committee on the California Department of Tax and Fee Administration's (CDTFA) accomplishments and challenges at the hearing on October 8. I'm proud of our team members and the work they have done to improve taxpayer services in a tax policy environment that is continually evolving.

In the hearing, Assemblymembers Gipson and Ting raised a few questions that required further follow-up. I have restated the questions and provided answers below.

1. What is the average time to resolve an internal appeal from inception to completion?

In FY 23/24, the average time to resolve sales and use tax appeals internally from inception to completion was 1.65 years. Appeals related to consumer use tax on vehicles, vessels, and aircraft, resolve in six months on average, as they involve a single transaction and infrequently proceed to an appeals conference.

2. Comparing 2017 and 2024, what was the average time to resolve an internal appeal from inception to completion?

Given that our FY 16/17 data on time to resolve an appeal includes time for review by the State Board of Equalization (Board), we have compared FY 16/17 data to current data that includes Office of Tax Appeals (OTA) review. Based on the data, the time to resolve a general sales and use tax appeal that includes Board or OTA review has decreased from 3.07 years in FY 16/17 to 1.92 years in FY 23/24, a 37% reduction. During that same period, the time to resolve consumer use tax appeals decreased from ten to six months, a reduction of 40%.

3. What is the percentage of appeals decided in favor of the taxpayer?

From FY 18/19 to FY 23/24, on average, two-thirds of taxpayers' appeals were granted in full or in part, reached a settlement agreement, or were withdrawn by the taxpayer without OTA's involvement. These outcomes generally indicate an adjustment in liability favorable to the taxpayer, either in whole or in part. Comprehensive data on outcomes are unavailable before FY 18/19, as our prior computer system did not track this information.

4. What is the oldest Department case?

Our oldest case in active court litigation is *Sprint Telephony PCS, L.P. v. CDTFA*, Sacramento Superior Court: 34-2021-00296518 (2021), filed with the Superior Court in 2021.

Our oldest case at OTA was created at CDTFA in 2009. Briefing was completed on that case in July 2024.

Our oldest case in the internal appeals process was created in 2004. In that case, CDTFA's Appeals Bureau issued both a decision and supplemental decision. The taxpayer subsequently made two separate requests for reconsideration. In response, the Appeals Bureau issued a second supplemental decision, dated September 1, 2022, and ordered a reaudit, which is underway.

5. How many sales tax appeals are in progress in 2024 vs in 2017?

CDTFA has reduced the total number of sales and use tax appeals in process from 4,057 in July 2017 to 2,034 in August 2024, a reduction of nearly 50%. The number of cases in process was reduced despite an increase in appeals cases in recent years. In FY 16/17, CDTFA had 1,300 incoming appeals cases compared to 1,559 cases in FY 23/24.

Please let me know if you or the other members of the committee have any additional questions.

Sincerely,



Nick Maduros
Director

Cc: Assemblymember Tri Ta (Vice Chair)
Assemblymember Jasmeet Bains
Assemblymember Mike Gipson
Assemblymember Timothy Grayson
Assemblymember Jim Patterson
Assemblymember Luz Rivas
Assemblymember Philip Ting
Mr. M. David Ruff
Mr. Wesley Whitaker
Mr. Harrison Bowlby
Ms. Julia King
Ms. Darin Walsh
Mr. Aaron Moreno
Ms. Christina Nelson
Mr. Matthew Montgomery
Ms. Tania Dikho