

JUNE 23, 2017

Board of Equalization Restructured: What You Need to Know

On June 15, 2017, the California legislature passed **Assembly Bill 102** (the “Bill”), which substantially restructures the State Board of Equalization (“BOE”), affecting two key functions most significantly: (a) collecting and administering various state taxes and fees, and (b) administering tax appeals. The Bill, largely a response to a scathing report by the California Department of Finance regarding the BOE’s operations, creates two new agencies to oversee these responsibilities. (Download the report [here](#); enter “2017” in the “Year Issued” box and “Board of Equalization” in the “Agency/Entity” box.) Governor Jerry Brown is expected to sign the Bill as part of the 2017-18 budget.

California Department of Tax. The Bill establishes the California Department of Tax and Fee Administration (the “CDTFA”) to administer and collect certain taxes currently administered by the BOE. The new CDTFA will be managed by a director, subject to Senate confirmation, a chief deputy director, and a chief counsel, all appointed by the governor. Beginning **July 1, 2017**, the CDTFA will primarily administer **state and local sales and use taxes**, and a variety of other taxes and fees.

More importantly to our exempt organization clients, the **BOE will remain responsible for overseeing property taxes, including the issuance of Organizational Clearance Certificates.** This authority is established under the California Constitution, and cannot be altered without a Constitutional amendment.

Office of Tax Appeals. The Bill also creates an Office of Tax Appeals (“OTA”) to oversee appeals currently handled by the BOE, **except** those issues relating to matters over which the BOE will retain jurisdiction (such as property tax issues). The OTA is authorized to create tax appeals panels consisting of three administrative law judges, with offices in Sacramento, Fresno, and Los Angeles. The OTA will start hearing appeals on **January 1, 2018**.

With the Bill’s statutory effective date of certain provisions less than two weeks away, questions remain regarding the actual timing of the transition and its impact on taxpayers, including exempt organizations. In the weeks to come, we expect more information about the new agencies and the appeals process, so watch this space for more news!

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