

Assembly Bill No. 2009

Passed the Assembly May 15, 2014

Chief Clerk of the Assembly

Passed the Senate June 26, 2014

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2014, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to add Sections 8258, 8258.1, 8258.2, 8258.3, 8258.4, 9259, 9259.1, 9259.2, 9259.3, 9259.4, 30457, 30457.1, 30457.2, 30457.3, 30457.4, 32458, 32458.1, 32458.2, 32458.3, 32458.4, 40177, 40177.1, 40177.2, 40177.3, 40177.4, 41133, 41133.1, 41133.2, 41133.3, 41133.4, 43507, 43507.1, 43507.2, 43507.3, 43507.4, 45855.6, 45855.6.1, 45855.6.2, 45855.6.3, 45855.6.4, 46607, 46607.1, 46607.2, 46607.3, 46607.4, 50155.6, 50155.6.1, 50155.6.2, 50155.6.3, 50155.6.4, 55306, 55306.1, 55306.2, 55306.3, 55306.4, 60611, 60611.1, 60611.2, 60611.3, and 60611.4 to the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2009, Weber. State Board of Equalization: administration: managed audit program.

The Sales and Use Tax Law provides for a managed audit program, in which, if the State Board of Equalization determines a taxpayer's account is eligible for the program by meeting specified criteria and the taxpayer agrees to participate, the taxpayer examines its books, records, and equipment to determine if it has any unreported tax liability for the audit period, in compliance with the managed audit instructions provided by the board. Under that law, upon completion of the managed audit and verification by the board, interest on any unpaid liability is computed at $\frac{1}{2}$ the rate that would otherwise be imposed for liabilities covered by the audit period.

This bill would authorize a managed audit program for the Motor Vehicle Fuel Tax Law, Use Fuel Tax Law, Cigarette and Tobacco Products Tax Law, Alcoholic Beverage Tax Law, Energy Resources Surcharge Law, Emergency Telephone Users Surcharge Act, Hazardous Substances Tax Law, Integrated Waste Management Fee Law, Oil Spill Response, Prevention, and Administration Fees Law, Underground Storage Tank Maintenance Fee Law, fees collected pursuant to the Fee Collection Procedures Law, and Diesel Fuel Tax Law.

The people of the State of California do enact as follows:

SECTION 1. Section 8258 is added to the Revenue and Taxation Code, to read:

8258. (a) The board shall determine which taxpayer's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A taxpayer is not required to participate in the managed audit program.

SEC. 2. Section 8258.1 is added to the Revenue and Taxation Code, to read:

8258.1. A taxpayer's account is eligible for the managed audit program only if the taxpayer meets all of the following criteria:

(a) The taxpayer's business involves few or no statutory exemptions.

(b) The taxpayer's business involves a single or a small number of clearly defined taxability issues.

(c) The taxpayer is taxed pursuant to this part and agrees to participate in the managed audit program.

(d) The taxpayer has the resources to comply with the managed audit instructions provided by the board.

SEC. 3. Section 8258.2 is added to the Revenue and Taxation Code, to read:

8258.2. (a) If the board selects a taxpayer's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions covered by the managed audit.

(C) The specific procedures that the taxpayer is to follow in determining any liability.

(D) The records to be reviewed by the taxpayer.

(E) The manner in which the types of transactions are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The taxpayer shall:

(A) Examine its books and records to determine if it has any unreported tax liability for the audit period.

(B) Make available to the board for verification all computations and books and records examined pursuant to subparagraph (A).

(b) The information provided by the taxpayer pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 4. Section 8258.3 is added to the Revenue and Taxation Code, to read:

8258.3. Nothing in the article limits the board's authority to examine the books and records of a taxpayer under Section 8253.

SEC. 5. Section 8258.4 is added to the Revenue and Taxation Code, to read:

8258.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the board. If the requirements for the managed audit are not satisfied, the board may proceed to examine the records of the taxpayer in a manner to be determined by the board under law.

SEC. 6. Section 9259 is added to the Revenue and Taxation Code, to read:

9259. (a) The board shall determine which taxpayer's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A taxpayer is not required to participate in the managed audit program.

SEC. 7. Section 9259.1 is added to the Revenue and Taxation Code, to read:

9259.1. A taxpayer's account is eligible for the managed audit program only if the taxpayer meets all of the following criteria:

(a) The taxpayer's business involves few or no statutory exemptions.

(b) The taxpayer's business involves a single or a small number of clearly defined taxability issues.

(c) The taxpayer is taxed pursuant to this part and agrees to participate in the managed audit program.

(d) The taxpayer has the resources to comply with the managed audit instructions provided by the board.

SEC. 8. Section 9259.2 is added to the Revenue and Taxation Code, to read:

9259.2. (a) If the board selects a taxpayer's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions covered by the managed audit.

(C) The specific procedures that the taxpayer is to follow in determining any liability.

(D) The records to be reviewed by the taxpayer.

(E) The manner in which the types of transactions are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The taxpayer shall:

(A) Examine its books, papers, records, and equipment to determine if it has any unreported tax liability for the audit period.

(B) Make available to the board for verification all computations and books, papers, records, and equipment examined pursuant to subparagraph (A).

(b) The information provided by the taxpayer pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 9. Section 9259.3 is added to the Revenue and Taxation Code, to read:

9259.3. Nothing in this article limits the board's authority to examine the books, papers, records, and equipment of a taxpayer under Section 9254.

SEC. 10. Section 9259.4 is added to the Revenue and Taxation Code, to read:

9259.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the board. If the

requirements for the managed audit are not satisfied, the board may proceed to examine the records of the taxpayer in a manner to be determined by the board under law.

SEC. 11. Section 30457 is added to the Revenue and Taxation Code, to read:

30457. (a) The board shall determine which taxpayer's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A taxpayer is not required to participate in the managed audit program.

SEC. 12. Section 30457.1 is added to the Revenue and Taxation Code, to read:

30457.1. A taxpayer's account is eligible for the managed audit program only if the taxpayer meets all of the following criteria:

(a) The taxpayer's business involves few or no statutory exemptions.

(b) The taxpayer's business involves a single or a small number of clearly defined taxability issues.

(c) The taxpayer is taxed pursuant to this part and agrees to participate in the managed audit program.

(d) The taxpayer has the resources to comply with the managed audit instructions provided by the board.

SEC. 13. Section 30457.2 is added to the Revenue and Taxation Code, to read:

30457.2. (a) If the board selects a taxpayer's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions covered by the managed audit.

(C) The specific procedures that the taxpayer is to follow in determining any liability.

(D) The records to be reviewed by the taxpayer.

(E) The manner in which the types of transactions are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The taxpayer shall:

(A) Examine its books, papers, records, and equipment to determine if it has any unreported tax liability for the audit period.

(B) Make available to the board for verification all computations and books, papers, records, and equipment examined pursuant to subparagraph (A).

(b) The information provided by the taxpayer pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 14. Section 30457.3 is added to the Revenue and Taxation Code, to read:

30457.3. Nothing in this article limits the board's authority to examine the books, papers, records, and equipment of a taxpayer under Section 30454.

SEC. 15. Section 30457.4 is added to the Revenue and Taxation Code, to read:

30457.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the board. If the requirements for the managed audit are not satisfied, the board may proceed to examine the records of the taxpayer in a manner to be determined by the board under law.

SEC. 16. Section 32458 is added to the Revenue and Taxation Code, to read:

32458. (a) The board shall determine which taxpayer's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A taxpayer is not required to participate in the managed audit program.

SEC. 17. Section 32458.1 is added to the Revenue and Taxation Code, to read:

32458.1. A taxpayer's account is eligible for the managed audit program only if the taxpayer meets all of the following criteria:

(a) The taxpayer's business involves few or no statutory exemptions.

(b) The taxpayer's business involves a single or a small number of clearly defined taxability issues.

(c) The taxpayer is taxed pursuant to this part and agrees to participate in the managed audit program.

(d) The taxpayer has the resources to comply with the managed audit instructions provided by the board.

SEC. 18. Section 32458.2 is added to the Revenue and Taxation Code, to read:

32458.2. (a) If the board selects a taxpayer's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions covered by the managed audit.

(C) The specific procedures that the taxpayer is to follow in determining any liability.

(D) The records to be reviewed by the taxpayer.

(E) The manner in which the types of transactions are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The taxpayer shall:

(A) Examine its books and records to determine if it has any unreported tax liability for the audit period.

(B) Make available to the board for verification all computations and books and records examined pursuant to subparagraph (A).

(b) The information provided by the taxpayer pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 19. Section 32458.3 is added to the Revenue and Taxation Code, to read:

32458.3. Nothing in this article limits the board's authority to examine the books and records of a taxpayer under Section 32453.

SEC. 20. Section 32458.4 is added to the Revenue and Taxation Code, to read:

32458.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the

board. If the requirements for the managed audit are not satisfied, the board may proceed to examine the records of the taxpayer in a manner to be determined by the board under law.

SEC. 21. Section 40177 is added to the Revenue and Taxation Code, to read:

40177. (a) The board shall determine which electric utility's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) An electric utility is not required to participate in the managed audit program.

SEC. 22. Section 40177.1 is added to the Revenue and Taxation Code, to read:

40177.1. An electric utility's account is eligible for the managed audit program only if the electric utility meets all of the following criteria:

(a) The electric utility's business involves few or no statutory exemptions.

(b) The electric utility's business involves a single or small number of clearly defined taxability issues.

(c) The electric utility is subject to this part and agrees to participate in the managed audit program.

(d) The electric utility has the resources to comply with the managed audit instructions provided by the board.

SEC. 23. Section 40177.2 is added to the Revenue and Taxation Code, to read:

40177.2. (a) If the board selects an electric utility's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions covered by the managed audit.

(C) The specific procedures that the electric utility is to follow in determining any liability.

(D) The records to be reviewed by the electric utility.

(E) The manner in which the types of transactions are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The electric utility shall:

(A) Examine its records, meters, and equipment to determine if it has any unreported tax liability for the audit period.

(B) Make available to the board for verification all computations and records, meters, and equipment examined pursuant to subparagraph (A).

(b) The information provided by the electric utility pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 24. Section 40177.3 is added to the Revenue and Taxation Code, to read:

40177.3. Nothing in the article limits the board's authority to examine the records, meters, and equipment of an electric utility under Section 40174.

SEC. 25. Section 40177.4 is added to the Revenue and Taxation Code, to read:

40177.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the board. If the requirements for the managed audit are not satisfied, the board may proceed to examine the records of the electric utility in a manner to be determined by the board under law.

SEC. 26. Section 41133 is added to the Revenue and Taxation Code, to read:

41133. (a) The board shall determine which service supplier's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A service supplier is not required to participate in the managed audit program.

SEC. 27. Section 41133.1 is added to the Revenue and Taxation Code, to read:

41133.1. A service supplier's account is eligible for the managed audit program only if the service supplier meets all of the following criteria:

(a) The service supplier's business involves few or no statutory exemptions.

(b) The service supplier's business involves a single or small number of clearly defined taxability issues.

(c) The service supplier is taxed pursuant to this part and agrees to participate in the managed audit program.

(d) The service supplier has the resources to comply with the managed audit instructions provided by the board.

SEC. 28. Section 41133.2 is added to the Revenue and Taxation Code, to read:

41133.2. (a) If the board selects a service supplier's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions covered by the managed audit.

(C) The specific procedures that the service supplier is to follow in determining any liability.

(D) The records to be reviewed by the service supplier.

(E) The manner in which the types of transactions are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The service supplier shall:

(A) Examine its records and returns to determine if it has any unreported tax liability for the audit period.

(B) Make available to the board for verification all computations and records and returns examined pursuant to subparagraph (A).

(b) The information provided by the service supplier pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 29. Section 41133.3 is added to the Revenue and Taxation Code, to read:

41133.3. Nothing in this article limits the board's authority to inspect and audit all records and returns of a service supplier under Section 41130.

SEC. 30. Section 41133.4 is added to the Revenue and Taxation Code, to read:

41133.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be

computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the board. If the requirements for the managed audit are not satisfied, the board may proceed to examine the records of the service supplier in a manner to be determined by the board under law.

SEC. 31. Section 43507 is added to the Revenue and Taxation Code, to read:

43507. (a) The board shall determine which taxpayer's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A taxpayer is not required to participate in the managed audit program.

SEC. 32. Section 43507.1 is added to the Revenue and Taxation Code, to read:

43507.1. A taxpayer's account is eligible for the managed audit program only if the taxpayer meets all of the following criteria:

(a) The taxpayer's business or activities involve few or no statutory exemptions.

(b) The taxpayer's business or activities involve a single or a small number of clearly defined taxability or liability issues.

(c) The taxpayer is taxed pursuant to this part and agrees to participate in the managed audit program.

(d) The taxpayer has the resources to comply with the managed audit instructions provided by the board.

SEC. 33. Section 43507.2 is added to the Revenue and Taxation Code, to read:

43507.2. (a) If the board selects a taxpayer's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions or activities covered by the managed audit.

(C) The specific procedures that the taxpayer is to follow in determining any liability.

(D) The records to be reviewed by the taxpayer.

(E) The manner in which the types of transactions or activities are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The taxpayer shall:

(A) Examine its books and records to determine if it has any unreported liability for the audit period.

(B) Make available to the board for verification all computations and books and records examined pursuant to subparagraph (A).

(b) The information provided by the taxpayer pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 34. Section 43507.3 is added to the Revenue and Taxation Code, to read:

43507.3. Nothing in this article limits the board's authority to examine the books and records of a taxpayer under Section 43502.

SEC. 35. Section 43507.4 is added to the Revenue and Taxation Code, to read:

43507.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the board. If the requirements for the managed audit are not satisfied, the board may proceed to examine the records of the taxpayer in a manner to be determined by the board under law.

SEC. 36. Section 45855.6 is added to the Revenue and Taxation Code, to read:

45855.6. (a) The board shall determine which feepayer's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A feepayer is not required to participate in the managed audit program.

SEC. 37. Section 45855.6.1 is added to the Revenue and Taxation Code, to read:

45855.6.1. A feepayer's account is eligible for the managed audit program only if the feepayer meets all of the following criteria:

(a) The feepayer's business or activities involve few or no statutory exemptions.

(b) The feepayer's business or activities involve a single or a small number of clearly defined taxability or liability issues.

(c) The feepayer is subject to the fee imposed pursuant to Section 48000 of the Public Resources Code and agrees to participate in the managed audit program.

(d) The feepayer has the resources to comply with the managed audit instructions provided by the board.

SEC. 38. Section 45855.6.2 is added to the Revenue and Taxation Code, to read:

45855.6.2. (a) If the board selects a feepayer's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions or activities covered by the managed audit.

(C) The specific procedures that the feepayer is to follow in determining any liability.

(D) The records to be reviewed by the feepayer.

(E) The manner in which the types of transactions or activities are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The feepayer shall:

(A) Examine its books and records to determine if it has any unreported liability for the audit period.

(B) Make available to the board for verification all computations and books and records examined pursuant to subparagraph (A).

(b) The information provided by the feepayer pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 39. Section 45855.6.3 is added to the Revenue and Taxation Code, to read:

45855.6.3. Nothing in this article limits the board's authority to examine the books and records of a feepayer under Section 45852.

SEC. 40. Section 45855.6.4 is added to the Revenue and Taxation Code, to read:

45855.6.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the board. If the requirements for the managed audit are not satisfied, the board may proceed to examine the records of the feepayer in a manner to be determined by the board under law.

SEC. 41. Section 46607 is added to the Revenue and Taxation Code, to read:

46607. (a) The board shall determine which feepayer's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A feepayer is not required to participate in the managed audit program.

SEC. 42. Section 46607.1 is added to the Revenue and Taxation Code, to read:

46607.1. A feepayer's account is eligible for the managed audit program only if the feepayer meets all of the following criteria:

(a) The feepayer's business or activities involve few or no statutory exemptions.

(b) The feepayer's business or activities involve a single or a small number of clearly defined taxability or liability issues.

(c) The feepayer is subject to the fee imposed pursuant to Section 8670.40 or Section 8670.48 of the Government Code and agrees to participate in the managed audit program.

(d) The feepayer has the resources to comply with the managed audit instructions provided by the board.

SEC. 43. Section 46607.2 is added to the Revenue and Taxation Code, to read:

46607.2. (a) If the board selects a feepayer's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions or activities covered by the managed audit.

(C) The specific procedures that the feepayer is to follow in determining any liability.

(D) The records to be reviewed by the feepayer.

(E) The manner in which the types of transactions or activities are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The feepayer shall:

(A) Examine its books and records to determine if it has any unreported liability for the audit period.

(B) Make available to the board for verification all computations and books and records examined pursuant to subparagraph (A).

(b) The information provided by the feepayer pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 44. Section 46607.3 is added to the Revenue and Taxation Code, to read:

46607.3. Nothing in this article limits the board's authority to examine the books and records of a feepayer under Section 46603.

SEC. 45. Section 46607.4 is added to the Revenue and Taxation Code, to read:

46607.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the board. If the requirements for the managed audit are not satisfied, the board may proceed to examine the records of the feepayer in a manner to be determined by the board under law.

SEC. 46. Section 50155.6 is added to the Revenue and Taxation Code, to read:

50155.6. (a) The board shall determine which feepayer's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A feepayer is not required to participate in the managed audit program.

SEC. 47. Section 50155.6.1 is added to the Revenue and Taxation Code, to read:

50155.6.1. A feepayer's account is eligible for the managed audit program only if the feepayer meets all of the following criteria:

- (a) The feepayer's business or activities involve few or no statutory exemptions.
- (b) The feepayer's business or activities involve a single or small number of clearly defined taxability or liability issues.
- (c) The feepayer is subject to the fee imposed pursuant to Section 25299.41 of the Health and Safety Code and agrees to participate in the managed audit program.
- (d) The feepayer has the resources to comply with the managed audit instructions provided by the board.

SEC. 48. Section 50155.6.2 is added to the Revenue and Taxation Code, to read:

50155.6.2. (a) If the board selects a feepayer's account for a managed audit, all of the following apply:

- (1) The board shall identify all of the following:
 - (A) The audit period covered by the managed audit.
 - (B) The types of transactions or activities covered by the managed audit.
 - (C) The specific procedures that the feepayer is to follow in determining any liability.
 - (D) The records to be reviewed by the feepayer.
 - (E) The manner in which the types of transactions or activities are to be scheduled for review.
 - (F) The time period for completion of the managed audit.
 - (G) The time period for the payment of the liability and interest.
 - (H) Any other criteria that the board may require for completion of the managed audit.
 - (2) The feepayer shall:
 - (A) Examine its books and records to determine if it has any unreported liability for the audit period.
 - (B) Make available to the board for verification all computations and books and records examined pursuant to subparagraph (A).
- (b) The information provided by the feepayer pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 49. Section 50155.6.3 is added to the Revenue and Taxation Code, to read:

50155.6.3. Nothing in this article limits the board's authority to examine the books and records of a feepayer under Section 50153.

SEC. 50. Section 50155.6.4 is added to the Revenue and Taxation Code, to read:

50155.6.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the board. If the requirements for the managed audit are not satisfied, the board may proceed to examine the records of the feepayer in a manner to be determined by the board under law.

SEC. 51. Section 55306 is added to the Revenue and Taxation Code, to read:

55306. (a) The board shall determine which feepayer's accounts are eligible for the managed audit program in a manner that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A feepayer is not required to participate in the managed audit program.

SEC. 52. Section 55306.1 is added to the Revenue and Taxation Code, to read:

55306.1. A feepayer's account is eligible for the managed audit program only if the feepayer meets all of the following criteria:

(a) The feepayer's business or activities involve few or no statutory exemptions.

(b) The feepayer's business or activities involve a single or a small number of clearly defined taxability or liability issues.

(c) The feepayer is liable for payment of a fee collected pursuant to this part and agrees to participate in the managed audit program.

(d) The feepayer has the resources to comply with the managed audit instructions provided by the board.

SEC. 53. Section 55306.2 is added to the Revenue and Taxation Code, to read:

55306.2. (a) If the board selects a feepayer's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

- (A) The audit period covered by the managed audit.
- (B) The types of transactions or activities covered by the managed audit.
- (C) The specific procedures that the feepayer is to follow in determining any liability.
- (D) The records to be reviewed by the feepayer.
- (E) The manner in which the types of transactions or activities are to be scheduled for review.
- (F) The time period for completion of the managed audit.
- (G) The time period for the payment of the liability and interest.
- (H) Any other criteria that the board may require for completion of the managed audit.

(2) The feepayer shall:

- (A) Examine its books and records to determine if it has any unreported liability for the audit period.
 - (B) Make available to the board for verification all computations books and records examined pursuant to subparagraph (A).
- (b) The information provided by the feepayer pursuant to paragraph (2) of subdivision (a) is the same information that is required for the completion of any other audit that the board may conduct.

SEC. 54. Section 55306.3 is added to the Revenue and Taxation Code, to read:

55306.3. Nothing in this article limits the board's authority to examine the books and records of a feepayer under Section 55302.

SEC. 55. Section 55306.4 is added to the Revenue and Taxation Code, to read:

55306.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the board. If the requirements for the managed audit are not satisfied, the board may proceed to examine the records of the feepayer in a manner to be determined by the board under law.

SEC. 56. Section 60611 is added to the Revenue and Taxation Code, to read:

60611. (a) The board shall determine which taxpayer's accounts are eligible for the managed audit program in a manner

that is consistent with the efficient use of its auditing resources and the maximum effectiveness of the program.

(b) A taxpayer is not required to participate in the managed audit program.

SEC. 57. Section 60611.1 is added to the Revenue and Taxation Code, to read:

60611.1. A taxpayer's account is eligible for the managed audit program only if the taxpayer meets all of the following criteria:

(a) The taxpayer's business involves few or no statutory exemptions.

(b) The taxpayer's business involves a single or a small number of clearly defined taxability issues.

(c) The taxpayer is taxed pursuant to this part and agrees to participate in the managed audit program.

(d) The taxpayer has the resources to comply with the managed audit instructions provided by the board.

SEC. 58. Section 60611.2 is added to the Revenue and Taxation Code, to read:

60611.2. (a) If the board selects a taxpayer's account for a managed audit, all of the following apply:

(1) The board shall identify all of the following:

(A) The audit period covered by the managed audit.

(B) The types of transactions covered by the managed audit.

(C) The specific procedures that the taxpayer is to follow in determining any liability.

(D) The records to be reviewed by the taxpayer.

(E) The manner in which the types of transactions are to be scheduled for review.

(F) The time period for completion of the managed audit.

(G) The time period for the payment of the liability and interest.

(H) Any other criteria that the board may require for completion of the managed audit.

(2) The taxpayer shall:

(A) Examine its books, records, and equipment to determine if it has any unreported tax liability for the audit period.

(B) Make available to the board for verification all computations and books, records, and equipment examined pursuant to subparagraph (A).

(b) The information provided by the taxpayer pursuant to paragraph (2) of subdivision (a) is the same information that is

required for the completion of any other audit that the board may conduct.

SEC. 59. Section 60611.3 is added to the Revenue and Taxation Code, to read:

60611.3. Nothing in this article limits the board's authority to examine the books, records, and equipment of a taxpayer under Section 60606.

SEC. 60. Section 60611.4 is added to the Revenue and Taxation Code, to read:

60611.4. Upon completion of the managed audit and verification by the board, interest on any unpaid liability shall be computed at one-half the rate that would otherwise be imposed for liabilities covered by the audit period. Payment of the liabilities and interest shall be made within the time period specified by the board. If the requirements for the managed audit are not satisfied, the board may proceed to examine the records of the taxpayer in a manner to be determined by the board under law.

Approved _____, 2014

Governor