

**CITY OF SANTA ANA
BUSINESS TAX OFFICE (M-15)**

20 CIVIC CENTER PLAZA, 1ST FLOOR ROSS ANNEX, P.O. BOX 1964, SANTA ANA, CA 92702 - (714) 647-6720



SELF-MANAGED AUDIT PROGRAM - FREQUENTLY ASKED QUESTIONS - GENERAL

Q: What is the City of Santa Ana Business License Tax Holiday Self-Managed Audit Program?

A: The Business License Tax Holiday Self-Managed Audit Program is a temporary program authorizing the waiver of penalties and interest normally assessed for noncompliance with the City's business license tax reporting requirements. Businesses which have renewed their current year business licenses are invited to participate in this program, which is intended to encourage businesses to self-examine their own current and prior year tax returns for common underreporting and misreporting errors. Tax returns which are eligible for review are those beginning with the April 1, 2020 – March 31, 2021 tax year and ending with the current April 1, 2023 – March 31, 2024 tax year. The corresponding reporting periods are calendar years: 2019, 2020, 2021 and 2022.

Q: What do underreporting and misreporting refer to?

A: Businesses, with the exception of those renewing for the first time, are asked to report the gross receipts they received during the preceding calendar year. These figures are used to calculate the business license tax assessment for the following April 1st thru March 31st fiscal tax year. Underreporting of gross receipts occurs when a business reports less gross receipts than are actually attributable to their Santa Ana business location, causing the tax to be under-assessed. Misreporting occurs when a business reports its gross receipts under the wrong tax schedule(s). Different tax rate schedules apply for businesses engaged in retail sales and/or services versus businesses engaged in wholesale sales and/or manufacturing. By reporting gross receipts under the wrong schedule(s) or by failing to separately report retail/service gross receipts and wholesale/manufacturing gross receipts under the appropriate schedules businesses misreport their gross receipts and taxes are under-assessed.

Q: My business started in the City of Santa Ana after March 31, 2023; how was my business' tax initially computed?

A: New businesses assessed on a gross receipts basis normally start by posting an in lieu tax deposit. Gross receipts are first reported at the conclusion of the initial licensing period, which runs from the in-city start date of the business and ends with the conclusion of the fiscal tax year in question. The following fiscal year's tax assessment for these businesses is based on an annualization of the gross receipts received during the initial fiscal tax year. Annualized figures are computed by dividing the gross receipts received during a new business' initial reporting period by the number of months in that fiscal tax year that the business operated. The resulting average monthly gross receipts are then multiplied by 12 to give annualized figures. Thereafter, each fiscal tax year's assessment is based on the preceding calendar year's gross receipts.

Q: What are the specific penalties which are being waived through my business' participation in the Santa Ana Business License Tax Holiday Self-Managed Audit Program?

A: Unpaid taxes are assessed past due penalties as follows: 10% during the 1st month past due, an additional 15% during the 2nd month past due, an additional 25% during the 3rd month past due and a final 50% when past due greater than 3 months. In addition, late interest is assessed at the rate of 1% per month for the first three months, then 2% per month beginning on the 4th month of delinquency.

Q: What if my underreported/ misreported taxes were paid late during the current tax year or a prior tax year; will I be liable for the same rate of penalty or interest assessment on my unpaid taxes that I was assessed on my paid taxes for that period?

A: Prior or current year tax penalty or interest assessments do not apply to the unpaid taxes reported through the Business License Tax Holiday Self-Managed Audit Program.

Q: I report the same figures to the City of Santa Ana that are reported on my Sales Tax Returns to the California Department of Tax and Fee Administration; how might I have underreported or misreported my Santa Ana gross receipts?

Business license ordinances define gross receipts somewhat differently from the California Department of Tax and Fee Administration. Rules about what gross receipts are reportable under a Sales Tax Permit differ from rules relating to a Business License. These differences can be significant. Participation in the Self-Managed Audit Program will allow you to clear any unpaid tax obligations without penalty or interest.

Q: How can I learn more about this program?

To learn more about this program and review additional FAQs and examples of common filing errors which result in underreported or misreported taxes visit us at www.santa-ana.org/documents/self-managed-audit-program/. For specific questions, contact us by phone at (714) 647- 6720 or email us at taxholiday@santa-ana.org. Participating businesses, please be sure in any communication with us to state your **Business License Tax Account Number**. Fillable Pre-registration Forms may be downloaded, completed and sent via regular mail as a printed form or they may be sent via email as a PDF or TIFF document email attachment.