

CITY OF OAKLAND  
OFFICE OF FINANCE  
REVENUE DIVISION

DIRECTOR OF FINANCE RULING NO. 17

ASSESSMENT OF PENALTIES AND INTEREST ON  
TAX LIABILITIES RESULTING FROM CHANGING THE INDUSTRY  
CLASSIFICATION OF A BUSINESS(ES)

Reference: Section 5-1.17 and 5-1.53 of the Oakland Municipal Code.

Purpose

Sets forth the method of applying penalty and interest assessments in those instances where a business' industry classification is changed.

BACKGROUND

Staff's audit of a taxpayer's business has often resulted in a reclassification that increased the taxpayer's Business Tax Liability.

This additional tax liability is usually without penalty and interest assessment. This ruling is promulgated to allow for penalty and interest assessment retroactively on such tax liability.

RULING OF THE DIRECTOR OF FINANCE

Penalties and interest shall not be retroactively assessed on any additional tax assessment resulting from a reclassification of a business activity if and only if the following criteria are met:

1. The tax basis, prior to reclassification, was reported correctly, and
2. The original tax liabilities were not delinquent.
3. The original classification was not based on erroneously and unreasonably submitted information by the taxpayer or his/her agent.

The taxpayer shall be given 30 days to pay the additional tax liability, resulting from the reclassification, from the date notice was received by the taxpayer regarding the reclassification. The taxpayer shall be apprised of the right to appeal the reclassification to the Board of Review. If payment in full is not received within the 30 day period, appropriate penalties and interest shall be assessed from notification date of additional assessment until the total liabilities are paid in full.