



April 17, 2025

To: The Honorable Jerry McNerney, Chair, Senate Revenue and Taxation Committee
Members, Senate Revenue and Taxation Committee

RE: SB 799 (Allen), as amended April 10, 2025 – **OPPOSE** – Allows bounty hunter lawsuits to be brought for resolved tax disputes

The Civil Justice Association of California, California Taxpayers Association, and California Chamber of Commerce, along with the organizations listed below, respectfully **OPPOSE SB 799**, which would expand the California False Claims Act (CFCA) to allow private individuals and attorneys to bring lawsuits against taxpayers.

Our organizations in no way condone tax fraud, and we believe the state's large and amply-funded tax enforcement agencies, the Franchise Tax Board and Department of Tax and Fee Administration, with their years of experience successfully pursuing tax fraud cases, are best equipped to investigate and prosecute tax fraud. Moreover, California's Office of the Attorney General also actively enforces tax code violations.

SB 799 could result in the types of harassing lawsuits that we have seen plague California businesses under the Private Attorneys General Act (PAGA), the disability access laws (ADA), and Proposition 65. SB 799 would create similar problems by removing a longstanding exemption in the CFCA for tax claims—an exemption that has existed due to the robust whistleblower programs already in place at tax agencies and a desire to avoid duplicating tax law enforcement efforts.

SB 799 would allow private plaintiffs and their lawyers to engage in bounty hunting (called *qui tam* actions) against taxpayers by alleging that legitimate tax positions constitute “fraud.” SB 799 would also create double jeopardy for taxpayers by allowing relitigation of cases in which experienced auditors at the tax agencies determined no fraud occurred.

While we appreciate the Office of the Attorney General’s statements that the bill includes provisions to assuage abusive lawsuits, similar provisions exist in other laws that are rife with lawsuit abuse. For example, Illinois’s False Claims Act has identical language requiring complaints to be filed with the court under seal for 60-days, yet waves of litigation have been brought against taxpayers.¹ Under SB 799, there would be nothing to prevent harassing demand letters and lawsuits once the 60 days expires. Our already-burdened courts will not have time to review each and every complaint filed under seal, so these suits will likely be allowed to go forward as a routine matter.

Under CFCA, private plaintiffs may receive 15 to 50 percent of the recovery of claims they bring, in addition to attorneys’ fees and costs. Penalties range between \$5,000 and \$11,000 per violation, plus *treble* damages. As a result, under SB 799, a \$200,000 tax dispute could turn into potential exposure for the taxpayer that could easily exceed seven figures.

The CFCA was designed to deter governmental corruption; it was never meant to be used as a weapon against taxpayers. The last thing California needs during this time of economic and affordability challenges is a new form of bounty-hunter lawsuit that can be used to shake down struggling and law-abiding taxpayers and businesses.

For the foregoing reasons, we respectfully **OPPOSE SB 799 and urge a NO vote**. If you have any questions, please contact Chris Micheli at cmicheli@snodgrassmicheli.com or (916) 743-6802, Peter Blocker at pblocker@caltax.org, (916) 214-4738, or Robert Moutrie at robert.moutrie@calchamber.com, (916) 531-5900.

Sincerely,



Kyla Christoffersen Powell
President and CEO
Civil Justice Association of
California



Robert Gutierrez
President and CEO
California Taxpayers
Association



Robert Moutrie
Senior Policy Advocate
California Chamber of
Commerce

On behalf of the below-listed organizations:

Civil Justice Association of California – Kyla Christoffersen Powell

California Taxpayers Association – Robert Gutierrez

California Chamber of Commerce – Robert Moutrie

¹ 740 ILCS 175/4. See, Kilpatrick, *A Recipe for Bad Tax Policy: False Claims Acts and Class Action Lawsuits in the World of State Taxation* (JD Supra, December 4, 2024); McDonald Hopkins, *Illinois: Prolific tax whistleblower creates controversy by filing hundreds of cases* (February 15, 2018).

Acclamation Insurance Management Services – Phil Vermeulen
Allied Managed Care – Phil Vermeulen
American Petroleum and Convenience Store Association – Bobbie Singh-Allen
Brea Chamber of Commerce – Lacy Schoen
California Alliance of Taxpayer Advocates – James DePasquale
California Association of Health Facilities – Yvonne Choong
California Association of Sheet Metal & Air Conditioning Contractors National Association – Chris Walker
California Attractions and Parks Association – Sabrina Demayo Lockhart
California Bankers Association – Jason Lane
California Building Industry Association – Nick Cammarota
California Business Properties Association – Skyler Wonnacott
California Business Roundtable – Brooke Armour
California Craft Brewers Association – Kelsey McQuaid-Craig
California Financial Services Association – Scott Governar
California Grocers Association – Daniel Conway
California Hospital Association – Mark Farouk
California Hotel + Lodging Association – A.J. Rossitto
California Retailers Association – Sarah Pollo Moo
California Trucking Association – Nick Chiappe
Carlsbad Chamber of Commerce – Bret Schnazenbach
Cellular Telecommunications and Internet Association – Annissa Reed
Coalition of Small and Disabled Veteran Businesses – Phil Vermeulen
Construction Employers Association – Scott Governar
Council of Business & Industries – Raully Butler
Council on State Taxation - Marilyn Wethekam
Family Business Association of California – Robert Rivinius
Flasher Barricade Association – Phil Vermeulen
Govern for California – David Crane
Greater Conejo Valley Chamber of Commerce – Josh Gray
Greater High Desert Chamber of Commerce – Mark Creffield
Howard Jarvis Taxpayers Association – Scott Kaufman
National Association of Theater Owners of California – Todd Vradenburg
National Electric Contractors Association, California Chapters – Eddie Bernacchi
National Federation of Independent Business – Tim Taylor
Santa Barbara South Coast Chamber of Commerce – Dustin Hoiseth
Silicon Valley Leadership Group – Dan Kostenbauder
Simi Valley Chamber of Commerce – Anthony Angelini
Southern California Contractors Association – Charlie Nobles
TechNet – Robert Boykin
United Contractors – Eddie Bernacchi
United Hospital Association – Janelle Blanco
Valley Industry and Commerce Association – Stuart Waldman

cc: Senator Benjamin Allen
Colin Grinnell, Chief Consultant, Senate Revenue and Taxation Committee
Kayla Williams, Senate Republican Caucus