

*HEAD OF HOUSEHOLD NOTIFICATION – 2004 TAX YEAR*

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**PURPOSE OF BULLETIN** To inform staff that we began mailing our Head of Household Audit Letters for the 2004 tax year in mid-July 2005. Taxpayers who receive these letters may contact our public service staff.

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**BACKGROUND** Each year we review the returns of taxpayers who file claiming the HOH filing status because the qualifications for the filing status are commonly misunderstood. We anticipate that we will mail approximately 150,000 HOH audit letters for the 2004 tax year between July 2005 and December 2005.

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**HOH AUDIT LETTER** The audit letter provides information on:

- Why we are reviewing their filing status information.
- How to obtain assistance in completing the questionnaire.
- How to return the completed questionnaire.
- The qualification requirements for HOH.
- Frequently asked questions about HOH.

The letter also includes information on how to obtain assistance with completing the questionnaire for Spanish-speaking taxpayers.

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**AUDIT PROCESS** Taxpayers who receive a 2004 HOH Audit Letter should answer the questionnaire completely and return it to FTB by the response due date on the audit letter. HOH audit staff:

- Will review completed questionnaires to determine if taxpayers qualify for the HOH filing status.
- May call taxpayers or send follow-up letters if responses are incomplete or contain conflicting information.

(Continued)

AUDIT  
PROCESS  
(Cont.)

- Will send taxpayers who qualify for the HOH filing status an HOH Acceptance Letter. *Acceptance letters only apply to the specific tax year examined and do not qualify the taxpayer for any other tax year.*

Taxpayers who do not respond to the audit letter, or do not qualify for the HOH filing status based on their responses in the questionnaire, will receive a Notice of Proposed Assessment disallowing the HOH filing status. We will impose a failure to furnish information penalty, to the extent allowed by law, on all taxpayers who do not respond by the due date on the audit letter.

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NOTE  
REGARDING  
e-FILERS

Taxpayers who file electronically (e-file) and claim the head of household filing status have the option of completing and including an electronic HOH questionnaire (Schedule HOH/FTB 4803E) with their e-filed return. We will not send an HOH Audit Letter to taxpayers who submitted this information with their e-filed return. However, they may still receive a follow-up audit letter if the information they provided electronically was incomplete or conflicting. Please advise these taxpayers to complete and return the follow-up audit letter.

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MAILING  
SCHEDULE  
AND  
VOLUMES

The 2004 HOH audit letter mailings began in mid-July of 2005. We anticipate weekly mailings of approximately 10,000 letters to continue through December 2005. The letters will go out with Monday or Tuesday mail dates whenever possible.

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TAXPAYER  
INQUIRIES

Advise taxpayers to complete and return the audit letter questionnaire by the date specified on their audit letter. We cannot take the information over the telephone. However, taxpayers may return the questionnaire to us by mail or may fax the completed audit questionnaire to the fax number shown on the cover letter.

A list of frequently asked questions is attached to this bulletin. The same questions are also included with the audit letters we mail to the taxpayers.

Taxpayers can get more information about HOH and the requirements for using the HOH filing status by visiting our Web page at:

<http://www.ftb.ca.gov/individuals/hoh/index.html>

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## ATTACHMENT

<b>1. Q:</b>	<b>What if I need more space to answer the questions on the audit questionnaire?</b>
<b>A:</b>	If you need more space to answer any of the questions or to provide explanations for your answers, use a separate sheet of paper and include it with your response.
<b>2. Q:</b>	<b>Why do you want to know my marital status?</b>
<b>A:</b>	Your marital status is a factor in determining if you qualify for head of household filing status.
<b>3. Q:</b>	<b>Who is a qualifying person?</b>
<b>A:</b>	A qualifying person is a qualifying relative, including a foster child, who can qualify you for the head of household filing status. To determine who is a qualifying relative, see the Head of Household Qualifications Requirements for 2004 on page 5 of the audit letter.
<b>4. Q:</b>	<b>I lived with my girlfriend and her child during the year. May I consider the child as my stepchild or foster child and claim the head of household filing status using the child as my qualifying person?</b>
<b>A:</b>	N No. Because you were never married to the child's parent, the child is not your stepchild, and the child cannot qualify you to use the head of household filing status. A foster child is in the care of someone (other than the child's parents) who cares for the child as his or her own child. Because this child lived with and was cared for by a parent, the child cannot be considered as your foster child and cannot qualify you for the head of household filing status. See <i>California Head of Household Filing Status</i> (FTB Pub. 1540) for more information. To order FTB Pub. 1540 by telephone or to download FTB Pub. 1540, see our Head of Household Assistance Information on page 2 of the audit letter.
<b>5. Q:</b>	<b>Can I claim my parent as my qualifying person for the head of household filing status?</b>
<b>A:</b>	It depends. If you are married on the last day of the taxable year, you cannot claim your parent as your qualifying person, even if you did not live with your spouse during the last six months of the taxable year.  If you are single on the last day of the taxable year, you can claim your parent as your qualifying person if you are entitled to claim a dependent exemption for your parent and you meet all of the qualification requirements. Your parent must be a citizen, resident or national of the United States, or a resident of Mexico or Canada. Your parent need not live with you as long as you paid more than half the cost of keeping up the home that was your parent's main home for the entire taxable year.  See <i>California Head of Household Filing Status</i> (FTB Pub. 1540) for more information. To order FTB Pub. 1540 by telephone or to download FTB Pub. 1540 see our Head of Household Assistance Information on page 2 of the

	audit letter.
<b>6. Q:</b>	<b>Can my child qualify both parents for the head of household filing status?</b>
<b>A:</b>	No. A child can qualify only one parent for the head of household filing status in a particular taxable year, and that parent must meet all the head of household requirements. See the Head of Household Qualification Requirements on page 5 of the audit letter.

<b>7. Q:</b>	<b>My spouse and I lived apart the entire year, but we are still legally married. My son lives with me. I meet the requirements to claim him as a dependent, but I have signed an agreement allowing his other parent to claim the dependent exemption. Can I still use the head of household filing status?</b>
<b>A:</b>	Yes. You can claim your son as your qualifying person if you otherwise meet all of the head of household requirements and the only reason you did not claim a dependent exemption for him was because you signed an agreement allowing the other parent to claim the dependent exemption.
<b>8. Q:</b>	<b>I am divorced. My ex-spouse and I lived apart and shared equal custody of our child, who lived with each of us for 50 percent of the tax year. Can I claim the head of household filing status?</b>
<b>A:</b>	No. To claim the head of household filing status your child must have lived with you for <b>more than</b> 50 percent of the tax year. However, you may qualify for the Credit for Joint Custody Head of Household. See page 19 of the <i>California Resident Personal Income Tax Booklet</i> for 2004 to determine if you qualify for this credit.
<b>9. Q:</b>	<b>My spouse and I separated during the year. Our son lived with me after we separated. I want to use the head of household filing status. In figuring the number of days our son lived with me, can I count the time he lived with my spouse and me before we separated?</b>
<b>A:</b>	<p>If you and your spouse separated during the period January 1 to June 30 and you were still married at the end of the year, you can count only <b>half</b> of the time that you, your spouse and your son lived together – and all the time you and your son lived together without your spouse.</p> <p>If you and your spouse separated during the period July 1 to December 31 and you were still married at the end of the year, you cannot qualify for head of household filing status because to be considered unmarried, you must have lived apart from your spouse at all times during the last six months of the year.</p> <p>If you and your spouse separated during the year and you were divorced or legally separated by the end of the year, you can count <b>half</b> of the time that you, your spouse and your son lived together – and all the time you and your son lived together without your spouse.</p>
<b>10. Q:</b>	<b>My spouse and I were separated from the beginning of 2004 until November of 2004, when we reconciled. Since we were separated for more than six months of the year, can I still file using the head of</b>

	<b>household filing status?</b>
<b>A:</b>	No. To qualify for the head of household filing status you must live apart from your spouse for the <b>entire last six months</b> of the taxable year. Because you lived with your spouse during a part of the last six months of the taxable year, you do not qualify for the head of household filing status.
<b>11. Q:</b>	<b>Can I provide the head of household information when I file my tax return?</b>
<b>A:</b>	Yes. If you e-file your tax return and use the head of household filing status, you can provide the head of household information with your tax return by submitting the completed Schedule HOH/FTB 4803E at the time your return is filed. The Schedule HOH/4803E will allow us to determine if you qualify for the filing status without later having to issue you an audit letter. To find out more about e-filing go to our Website at <a href="http://www.ftb.ca.gov">www.ftb.ca.gov</a> or talk to your tax preparer, if you use one.

<b>12. Q:</b>	<b>What can I do before I file my return to make sure that I am qualified to file using the head of household filing status?</b>
<b>A:</b>	Visit the FTB Head of Household Filing Status Information at <a href="http://www.ftb.ca.gov">www.ftb.ca.gov</a> and take the head of household self-test before you file your tax return. The Web page also offers information regarding our audit program and specific definitions of terms to help you determine if you are qualified to use the head of household filing status. Encourage your tax preparer, if you use one, to use the self-test before preparing your tax return.  If you do not have access to the Internet, you can take the self-test found in FTB Pub. 1540, <i>California Head of Household Filing Status</i> . To order FTB Pub. 1540 by telephone see the Head of Household Assistance Information on page 2 of the audit letter.

<b>13. Q:</b>	<b>Why do I receive a head of household audit questionnaire every year?</b>
<b>A:</b>	If you were denied the head of household filing status for a specific reason or for not responding to the questionnaire at all in the previous taxable year, you can expect to receive an audit letter the following year. Otherwise, our program is designed so that those taxpayers who qualify for head of household do not receive audit letters every year.
<b>14. Q:</b>	<b>If I qualified to use the head of household filing status in a previous year, why did the Franchise Tax Board send me an audit letter this year?</b>
<b>A:</b>	Each taxable year stands on its own. We cannot determine if the circumstances that qualified you for the head of household filing status in a previous taxable year remained the same for this taxable year.