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FTB Offers Assistance to Taxpayers in Financial Stress

Some of your clients may be facing financial difficulties so remind them FTB has help available. We continually seek to improve the efficiency of our collection process with the goal of working with taxpayers as soon as a tax delinquency occurs rather than through involuntary collection actions.

Our collection specialists can assist taxpayers by delaying collection actions when warranted, establishing payment plans, or granting relief from state tax liens. Programs to reduce tax debt such as "Offer in Compromise," establishing a taxpayer as an "Innocent Spouse," and working with taxpayers declaring bankruptcy are also options for some people.

We generally grant relief from state tax liens within two weeks for financially distressed homeowners trying to sell or refinance their homes. When a home sells for less than the loan balance, we sometimes remove a tax lien to allow the homeowner to complete the sale. Tax liens typically must be paid before a real estate escrow can close. The tax lien remains in effect on any other property the taxpayer currently holds or later acquires.

We also help individuals with financial hardships who are refinancing or modifying an existing home loan. Homeowners can request the new or modified loan have priority over the tax lien. This allows prior home loans to be refinanced or modified without first having to pay the lien.

State Tax Refunds Delay due to the state's persistent cash and budget problems, the State Controller announced on Friday, January 16, 2009 that he will have to delay refunds for 30 days starting February 1, 2009 for Personal Income Tax and Business Entity taxpayers.

We are still processing returns as normal. However, it is likely this delay will affect state refunds for most early filers. Returns that have not completed processing before February 1, 2009 will have their refunds held for 30 days.

This applies to all refund types. Delayed Direct Deposit Refunds (DDR) will be electronically transmitted when funds are available.

We will update our website with [frequently asked questions](#) as further information becomes available.

Innocent Spouse Program Changes

As of January 1, 2009, California's innocent spouse relief statute¹ expired. The statute provides that we shall grant innocent spouse relief based solely on the prior determination to grant federal relief by IRS.² Basically, the statute defined California's provisions to generally conform to the federal provisions.

Although we are no longer statutorily required to follow this statute, we will apply the same factors and considerations contained in the former subsection in considering requests for relief where the IRS has granted relief.

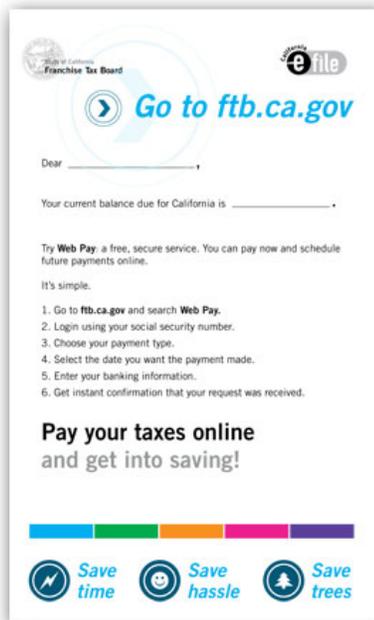
¹ California Revenue and Taxation Code, Subsection 18533(i)

² Internal Revenue Code section 6015

Conservation Land Sales to the State

Taxpayers who sell land to the state for conservation purposes are eligible to claim a charitable contribution on their tax return for the value of the land in excess of the price paid. For sales after January 1, 2009, Senate Bill 1285 requires taxpayers claiming the deduction in excess of \$5,000 to attach an appraisal for the property to the tax return for the year the deduction is claimed. This appraisal must be prepared by an appraiser licensed by the Office of Real Estate Appraisers and must comply with the requirements of federal and state tax law for appraisals substantiating the amount of charitable contributions.

A Great Way to Assist Your Clients



By using the personalized Web Pay handout, you provide a useful reminder for each of your clients. It has space to customize their balance due and includes simple instructions to save your clients time and hassle. All they need is their social security number and banking information. They can make a payment now and schedule future payments up to a year in advance.

These handouts are available online at ftb.ca.gov and search for **e-pay tool kit**. The tool kit makes it even easier to assist your clients with electronic payments.

Do All Your Tax Stuff Online!

With instant access to taxpayer information, 24 hours a day, doing your tax stuff online will save you, and your clients, time and hassle.

Plus, doing your business online is another way to save natural resources, like trees.

Here is just some of the stuff you can do at ftb.ca.gov:

- e-file options – Find all the e-file information you need.
- Business e-file – Submit returns and get proof of receipt within 48 hours. Available for:
 - 100/100S/100W Corporation Return, including Combined Reporting
 - 565 Partnership Return
 - 568 Limited Liability Company Return
- Payment Options – Make payments using Web Pay, credit cards, electronic funds transfers, and installment agreements.

- MyFTB Account – Verify estimated payments and more.
- Subscription Services – Sign up to receive emails regarding the latest in tax news and hot e-file issues. Advise your clients to sign up for email reminders to make their estimated tax payments.

Go to ftb.ca.gov and get into saving today!

What's New for 2009?

During the past year, we have made changes to our online applications in order to make tax filing easier for California taxpayers and tax professionals. Check out our improved technology available and tips on how to navigate successfully through the next few months.

Improved Technology Options

MyFTB Account

We improved MyFTB Account to make it even easier to use. These improvements include:

- An email reminder service in which taxpayers can sign up to receive an email approximately two weeks prior to an estimated tax payment due date.
- A customer survey offered to taxpayers upon exiting MyFTB Account.
- Links to other services offered by FTB such as Web Pay, Refund Status, and Electronic Installment Agreement.

ReadyReturn

ReadyReturn is back and qualified taxpayers may find that their completed tax return is waiting for them. This year we've expanded eligibility and nearly 1.9 million taxpayers qualify. There are two simple ways that eligible taxpayers can get **ReadyReturn**:

- Visit ftb.ca.gov and search for **ready return**.
- Call 800.338.0505 and request that we mail their **ReadyReturn** to them.

To qualify for **ReadyReturn**, taxpayers must have filed a 2007 California resident return with all of the following:

- Single or head of household filing status.
- No more than five dependents.
- No credits other than the nonrefundable renter's credit.
- Standard deduction.
- Only one employer in 2008.

Taxpayers who aren't eligible for **ReadyReturn** can try **CalFile**. Crossing over from one application to the other is easy this year, with links available in both applications.

CalFile

There are several changes to **CalFile** this year:

- CalFile now checks all taxpayers for ReadyReturn eligibility and offers them the option to switch to ReadyReturn, when they qualify and have a ready return.
- Taxpayers now have 30 minutes to complete each page in CalFile.
- Up to 10 dependents may now be claimed on the return.
- Payment and refund details are provided on the confirmation page.

Mandatory e-pay

Beginning January 1, 2009, taxpayers are required to remit payments electronically when certain conditions are met.

This new law requires individuals to remit all future payments electronically once they meet one of the following:

- Make an estimated tax or extension payment (by check or electronic method) over \$20,000 for a taxable year beginning on or after January 1, 2009.
- File an original return with a tax liability over \$80,000 for a taxable year beginning on or after January 1, 2009.

Fiduciaries, estates, and trusts are not required to make payments electronically, regardless of the amount owed.

Unlike corporations, there is no registration process for individuals subject to the mandatory e-pay law.

On December 1, 2008, we sent courtesy letters (see [an example](#)) to taxpayers who made an estimated tax payment in 2008 that was near or above the new mandatory e-pay threshold amount (\$20,000). The letter informed these taxpayers of the law change, and that they may meet the requirement for mandatory e-pay in 2009.

Form Locator

Our form locator will be available soon, allowing you to find the main tax forms you need. The locator divides our tax forms in to two categories: individual tax forms and business tax forms. This makes it easier to find the tax forms you're looking for.

540 2EZ Does the Math

Taxpayers can fill in their information on this calculable tax form to print and mail to FTB.

What's New for 2009?

FTB Tax Season Tips

Who Has to File?

Individuals do not have to file if they are:

- Single or HOH, and their total income was less than \$14,845.
- Married and their total income was less than \$29,690.

Filing requirements for those being claimed as a dependent are tied to the standard deduction. More information is available within our frequently asked questions, [What are the California Standard Deductions?](#)

Standard Deduction and Personal Exemption

The standard deduction amount for single or married filing separately taxpayers increased from \$3,516 to \$3,692. For joint, surviving spouse, or head of household taxpayers, it increased from \$7,032 to \$7,384.

The personal exemption amount for single, married filing separately, and head of household taxpayers increased from \$94 to \$99. For joint or surviving spouse, the personal exemption credit increased from \$188 to \$198. The dependent exemption credit increased from \$294 to \$309 per dependent claimed.

Same-Sex Marriages

Married couples must file their 2008 California income tax returns using either the married/RDP filing jointly or married/RDP filing separately filing status. Same-sex marriages performed in California on June 16, 2008 through November 4, 2008, have been recognized as valid marriages for California purposes.

Proposition 8 was approved by the voters on November 4, 2008, and it provides that "only marriage between a man and a woman is valid or recognized in California." Lawsuits

challenging Proposition 8 have been filed. To find current state income tax information related to same-sex couples, go to our website and search for **same-sex married couples** or get the new [FTB Pub. 776](#), *Tax Information for Same-Sex Married Couples*.

Federal Earned Income Tax Credit (EITC)

The EITC reduces the taxpayer's federal tax obligation, or allows a refund if no federal tax is due. To qualify, your client must have had:

- A child living with them, and earned less than \$38,646 (\$41,646 if married filing jointly).
- No qualifying children, and earned less than \$12,880 (\$15,880 if married filing jointly).

For more details, go to <http://www.eitc.irs.gov/central/main/>. California has no comparable state credit.

Electronic Refund Deposit

More than 10 million taxpayers – nearly two-thirds of those who filed taxes last year – received a state tax refund averaging more than \$800. If your clients use electronic refund deposit, they can request that their refunds are electronically deposited between two different accounts, including checking, savings, IRA, or money market accounts.

Voluntary Contributions

The state tax forms list 15 charitable funds your clients can contribute to directly from their returns. Contributions made to these funds will reduce your client's refund or increase taxes owed. Taxpayers who contribute to any of these funds can take a charitable contribution deduction on next year's return if they itemize their deductions. There are four new funds this year:

- California Ovarian Cancer Research Fund.
- Municipal Shelter Spay Neuter Fund, CA.
- California Cancer Research Fund.
- ALS/Lou Gehrig's Disease Research Fund.

For 2008, all funds have been assigned a new three-digit code. Each fund now has the same code regardless of the form, and the assigned codes will not change in future years.

Paying Taxes Online

Web Pay allows taxpayers to authorize a payment from their bank account on a specific date to satisfy their return balance due or extension payment. They should pay on or before April 15 to avoid penalties and interest. Taxpayers can pay estimated tax or make any bill payments online. They can also schedule payments up to one year in advance. For a small fee, they can pay their taxes with their Discover/NOVUS, MasterCard, American Express, or Visa cards. FTB also accepts payments through Western Union.

If Your Clients File Electronically and Owe Money

Remind them NOT to mail a copy of their electronically filed return with their payment. Each year, thousands of paper copies of electronically filed returns are submitted with payments. This causes delays in processing since the paper copy is processed as a duplicate return and needs manual intervention.

If Your Clients Can't Pay Their Taxes

They can request a payment plan online. If they owe less than \$25,000 and can repay it within five years, they will generally qualify.

If Your Clients Don't Want to Owe Taxes

Go to our homepage at ftb.ca.gov and search de 4. Use this calculator to compute your client's suggested payroll withholding to closely approximate their tax liability.

Do Your Clients Owe Use Tax?

California residents are required to pay state use tax on certain purchases made from out-of-state sellers. Use tax applies to purchases from out-of-state or foreign vendors. In general, your clients must pay California use tax on these purchases (made on the Internet, by telephone, by mail, or in person) if both of the following occur:

- The vendor does not collect California sales or use tax.
- Your client uses, gives away, stores, or otherwise consumes the item in this state.

See [January's use tax article](#) for more details. Board of Equalization provides a [California Use Tax Information](#) website.

Information in Other Languages

FTB continues to provide tax information in Spanish, Chinese, Korean, and Vietnamese. We also have a Speakers' Program with technical subject matter experts who are available to speak at a variety of public forums statewide to educate the public on this and other topical tax subjects.

Phone Service

If your client has a tax question at 3 a.m., they can call our toll-free, 24-hour automated phone service at 800.338.0505. Or, to speak with a customer service representative, your client can call our general toll-free phone line at 800.852.5711, from 7 a.m. to 6 p.m., weekdays except state holidays.

Walk-in Service

FTB has six regional field offices that offer walk-in service in Los Angeles, Oakland, Sacramento, San Diego, San Francisco, and Santa Ana. Go to ftb.ca.gov for directions.

California Real Estate Withholding Laws Change

Assembly Bill 3078 amended California Revenue and Taxation Code sections 18662 and 18668 withholding laws effective January 1, 2009. Changes are as follows:

Withholding Rates – Non-California partnerships are now subject to withholding requirements on the sale of California real property at a rate of 3 1/3% of sales proceeds or 9.3% of gain. The alternative withholding rates for the sale of California real property increased to 10.8 percent for S corporations and 12.8 percent for financial S corporations.

Installment Sales – Buyers are required to withhold on the principal portion of each installment payment if the sale of California real property is structured as an installment sale.

In addition, withholding amounts can be collected from the withholding agent if the withholding agent fails to withhold or fails to remit to us the withheld amounts. The new statute provides a clearer method for assessment and collection of unremitted withholding.

Forms – Changes have been made to the following withholding forms: [Form 593-I](#), *Real Estate Withholding Installment Sale Acknowledgement*; [Form 593-E](#), *Real Estate Withholding – Computation of Estimated Gain or Loss*; [Form 593](#), *Real Estate Withholding Tax Statement*.

As a continued benefit to withholding agents and taxpayers, [Form 593-E](#) automatically computes the estimated gain or loss on the sale of California real property and the alternative withholding amount. The following maximum tax rates can be selected:

- Individuals 9.3 percent.
- Non-California partnerships 9/3 percent (new rate).
- Corporations 8.84 percent.
- Bank and financial corporations 10.84 percent.
- S corporations 10.8 percent (new rate).
- Financial S corporations 12.8 percent (new rate).

The form also computes the withholding amount based on 3 1/3 percent of the total sales price for comparison.

Inside FTB

Package X hotline number scheduled to disconnect April 16, 2009. We discontinued printing the Package X due to the declining use and rising costs. [More](#)

Criminal Corner

Phony CPA Arrested on State Income Tax Charges *Business Colleague Also Arrested*

The owner of a Glendale tax preparation business and his colleague were arrested on multiple felony charges of filing false personal state tax returns, not filing a personal return, and not paying taxes on income from their bogus securities investment scheme.

Donald R. Ford, of Glendale, was charged with filing false state tax returns and failing to pay more than \$101,000 in taxes on more than \$1.3 million of income. It is alleged he acquired the income from an unlawful investment scheme he created. He persuaded his clients to invest by posing as a Certified Public Accountant. Gregory A. Edwards, of Culver City, CA, was charged with receiving more than \$961,000 from the scheme, not filing a state tax return, and not paying more than \$81,000 in tax.

Department of Justice (DOJ) Agents arrested Ford without incident at his place of business, Donald R. Ford Financial and Tax. Edwards was arrested without incident at a Glendale diner.

This is a joint investigation between FTB and the DOJ. Deputy Attorney General Edward Skelly with the DOJ is prosecuting this case.

San Pedro Tax Practitioner Ordered to Pay **for Filing False Tax Returns**

The judge ordered a San Pedro tax practitioner to pay more than \$35,000 for filing false state income tax returns.

Eddie Lee Lewis, owner of Lewis Tax Service, was found guilty in December 2008, of filing false state tax returns for tax years 2003 and 2004. Lewis generated fraudulent state income tax refunds for his clients by claiming inflated Child and Dependent Care Credit or by using fictitious childcare providers to create a credit. FTB has recovered the false credits from the taxpayers making the claims. Lewis was also required to pay taxes due on the income received from the operation of his business including the income received from the tax refund scheme. All income is taxable including income from illegal sources.

Long Beach Courthouse Superior Court Judge Charles D. Sheldon, Department K, sentenced Lewis to five years formal probation. The judge also ordered Lewis to pay more than \$35,000 restitution to FTB representing the unpaid tax, interest, penalties, and the cost of investigation.

The filing of false tax returns and the failure to file tax returns is part of the annual \$6.5 billion tax gap facing California. The tax gap is defined as the difference between taxes that are owed and what is paid.

Taxpayers are legally responsible for all the information entered on their return. To learn more about choosing a qualified tax professional, the Internal Revenue Service and FTB issued [FTB Publication 982](#), *How to Select an Income Tax Return Preparer*, which is available online at ftb.ca.gov.

CPAs are licensed by the state. The public can check on the status of a CPA with the California Board of Accountancy at www.cba.ca.gov or by calling 916.263.3680.