

Napa County Given Disaster Area Status

The President has designated Napa County a disaster area as a result of the earthquake that occurred on September 3.

The President's designation allows earthquake victims in the disaster area to deduct disaster losses on either their 1999 or 2000 tax forms. A disaster loss is a casualty loss sustained as a result of a disaster and that is not reimbursed by insurance or otherwise.

In addition, a disaster victim can treat the loss as a net operating loss. This means a victim can carry forward 55 percent of any disaster loss to future taxable years.

The California Legislature and the Governor could provide further relief by passing a statute, as they have following many previous disasters, to permit taxpayers in the disaster areas to carry forward 100 percent of any excess disaster loss to future taxable years. *(The Legislature adjourned August 31 and won't reconvene until December 4, so legislators have not had the opportunity to introduce a bill.)*

To deduct a loss on an unfiled 1999 tax return or on a 2000 tax return, individuals must file California Form 540, California Resident Income Tax Return.

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Order 2000 Package X Today At \$14, CD-Rom Version is Best Value

We are now accepting orders for the 2000 California Package X.

There are three versions of the 2000 Package X to choose from. The bound and loose-leaf paper versions cost \$14 plus sales tax. The best value, however, is the CD-ROM for Windows version. It also costs \$14 (plus sales tax) and comes with:

- 2000 California Package X forms
- 2000 Internal Revenue Service Package X forms

- Many fillable forms
- California Package X forms for the four previous years
- Information on electronic filing (e-file)

The CD-ROM (for Windows version) also has a search feature so that you can locate references to special words or terms in both the tax forms and instructions. And in March, you will receive a second disk with updated forms.

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Tax News

Volume 00-6 November/December 2000

TAX NEWS is a bimonthly publication of the Communications Services Bureau, California Franchise Tax Board. Its primary objective is to provide information to income tax practitioners about state income tax laws, regulations, policies and procedures.

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For recorded answers to questions on California taxes, to order forms or to check on a refund, call:
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From outside U.S. (916) 845-6600

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FTB Delays Plans to Expand Authentication Process to e-file

If you are an electronic return originator (ERO), you will not be required to use a customer service number (CSN) or authentication record for year 2000 tax returns you file for your clients.

After hearing from tax practitioners about our plans to require CSNs or authentication records for e-file returns, we realized we must spend more time talking to practitioners before implementing such a change.

We will continue to entrust the authentication of your clients to you as part of our on-going partnership.

In January 2001 we will implement a new CSN process for those taxpayers

who file their return with an on-line service provider.

These CSNs will provide e-file customers with the utmost security and convenience when doing business with us online.

Taxpayers who used an on-line service to e-file their return in 1999 will receive their CSNs from us via a secure post card. Taxpayers will also be able to retrieve their CSN through a web application or by calling our Taxpayer Service Center at (800) 338-0505.

Look for more information about our CSN project in upcoming issues of Tax News.

FTB to Add Locator Feature to Website to Aid Taxpayers in Finding Local EROs

Next year we will add an electronic return originator (ERO) locator feature to our official Franchise Tax Board Website (www.ftb.ca.gov).

The new locator will allow taxpayers to search for EROs in their area by their city or zip code.

Search results will come directly from our e-file database in real-time to provide the most up-to-date information possible. The locator will provide taxpayers with the names, telephone numbers and addresses of practitioners

in our e-file database that meets their search criteria.

We will include EROs in good standing with us in the search results.

We will provide more information about the locator in the 2001 version of FTB 8633, "Application to Participate in the e-file Program."

If you prefer not to be a part of the ERO locator, contact our e-file Helpdesk at (916) 845-0353, after January 1, 2001.

Napa County

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Corporations must file Form 100, "California Corporation Franchise or Income Tax Return" or the new Form 100W, "California Franchise or Income Tax Return – Water's Edge Filers." S corporations must file Form 100S, "California S Corporation Franchise or Income Tax Return."

To amend a 1999 tax return that has already been filed, individuals must file Form 540X, "Amended Individual Income Tax Return." Corporations and S corporations must file Form 100X, "Amended Corporation Franchise or Income Tax Return."

No matter when taxpayers deduct the loss, they should:

- Complete Federal Form 4684, "Casualties and Thefts," using California amounts on the Federal form, and attach it with any other support schedules to their return.
- Complete Form 4684, Section B, using California amounts, to calculate the disaster loss for property that is trade or business, income-producing or rent or royalty property.
- Determine whether losses need to be reported on Schedule D-1,

"Sales of Business Property," form FTB 3805V, "Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitation – Individuals, Estates and Trusts," or form FTB 3805Q, "Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations."

- Attach to the return a statement that lists the disaster date and the city and county in which it occurred.
- Print "Disaster – 2000 Earthquake" in red ink at the top of Side 1 of the return. This will speed up processing so taxpayers who qualify for refunds will receive them sooner.

To determine when to file the tax return and for other information, see FTB Publication 1026R, "California Disaster Relief Tax Provisions." The publication is available on our website at www.ftb.ca.gov.

You also may obtain a copy by calling us at (916) 845-7057, sending us a fax at (916) 845-6377 or writing us at :

Tax Forms Request
Franchise Tax Board,
PO Box 307
Rancho Cordova, CA 95741-0307.

Taxpayers Must Report Tax on Premature Distributions of Retirement Funds

In April we conducted a pilot project to determine if taxpayers that reported the premature distribution tax on their federal return also reported the corresponding tax on their California tax return. We found that a significant number did not. As a result, beginning in early 2001 we will examine all 1998 tax returns for this issue.

When taxpayers receive premature distributions, they are subject to a 10

percent premature distribution tax on their federal return and an additional 2.5 percent tax on their California return.

A premature distribution is an amount withdrawn from certain retirement plans prior to the taxpayer reaching the age of 59½, that is not rolled over into another qualified plan. California generally conforms to federal law regarding the tax

Ask the Advocate



Debbie Newcomb
Taxpayer
Advocate

I filed my 1999 state income tax return and received my refund in July. Since then, I moved to a new home. Do I have to let FTB know what my address is or is it okay to wait until I file my tax return next year?

You should inform us of an address change as soon as possible. Even though you have already received your refund, it may be necessary for us to contact you. For instance, if we need to reach you regarding an additional tax assessment and we don't have your current address we may be unable to get a notice to you.

To change your address with us, you can do one of the following:

By Mail:

Complete a Change of Address (form FTB 3533) and send it to the address shown in the instructions.

To obtain this form write to:

Tax Forms Request
Franchise Tax Board
PO Box 307
Rancho Cordova, CA 95741-0307

Or, you can download this form from our Website at www.ftb.ca.gov.

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If you have questions about any of our Tax News products or services, call the Tax News Help Desk at (916) 845-7070.

Make Sure Your Substitute, Scannable Forms are Approved

Are you planning to use substitute or scannable 2000 California tax forms?

If so, please ensure that the tax forms meet our Substitute Forms Program requirements. Delays may occur during processing if these requirements are not met. In some cases, we may not be able to process your clients' forms and will have to contact them directly.

All companies that produce or sell substitute or scannable California tax forms must file an agreement to comply with our requirements for the 2000 tax year. Form FTB 1096, "Agreement to Comply with FTB Publication 1098," states that the company agrees to follow certain rules for developing substitute and scannable forms.

*Note: Merely filing form FTB 1096, however, does **not** mean we have approved the company's forms.*

Each year companies that produce substitute or scannable forms must submit their forms to us for approval. Companies that either sell or provide photocopies of official FTB forms do not need to submit them for approval. If you are unsure whether all your forms have been approved for the 2000 tax year, ask your software company to show you our letter of approval *for each form* before you use it.

Do not accept a general statement that the forms have been approved. Provide a list of forms you plan to use to the company and request a copy of the letter of approval for each form.

We encouraged companies to file their form FTB 1096 by September 1, 2000, to

have their name published in this issue of the Tax News. We will update this list again in the January issue of Tax News.

As of September 1, 2000, companies that have filed form FTB 1096 include the following:

2 nd Story Software, Inc.	(319) 373-3600
Account Stationers & Printers	(800) 423-9717
Alpha and Omega Solutions	(323) 930-0078
Alpine Data Inc.	(800) 525-1040
AM Software	(816) 741-7848
American Financial & Tax	(714) 669-1172
Arthur Andersen	(941) 341-1000
ATX Forms, Inc	(800) 944-8883
Block Financial Corporation	(800) 457-9525
CCH, Inc (Torrance)	(800) 457-7639
CCH, Inc. (Wichita)	(316) 612-5000
CPA Software	(850) 434-2685
Creative Solutions	(800) 968-0600
Curtis Publications, Inc.	Not Available
Deloitte & Touche	
Tax Technologies	(847) 236-8000
Drake Software	(828) 524-8020
EXACTAX Inc.	(800) 352-3638
File Your Taxes.Com	(805) 984-0248
Golden State Tax Training Institute, Inc.	(847) 459-3300
H&R Block, Inc	(816) 504-1188
Chase Hambrecht& Quist/Granite Ventures LLC	(415) 591-7700
HowardSoft	(858) 454-0121
Image One, Inc.	(818) 701-9692
Inland Society of Tax Consultants	Not Available
Intuit, Inc.	(858) 784-4274
ITS, Inc.	(800) 487-8291
Jackson Hewitt Tax Service	Not Available
Lacerte	(858) 784-4274
Micro Vision Software, Inc	(800) 829-7354
Nelco	(920) 337-2774
ORRTAX Software, Inc.	(800) 377-3337
Petz Enterprises, Inc.	(209) 835-2720
Pro-BATE Software	(970) 336-5973
Professional Stationers, Inc.	(818) 982-5222
Prudential Securities Incorporated	Not Available

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Tax Forms Clarifications

Please note the following corrections to the distributed 1999 & 2000 California tax forms, instructions, booklets and publications. Should you have any questions about these clarifications, contact our Tax Forms Development and Distribution Section at (916) 845-3442.

Form FTB 3805Z, Enterprise Zone Deduction and Credit Summary – Instructions - Page 4, Column 2, Paragraph 5, Line 2 should read:

Recordkeeping. Retain a copy of Form TCA EZ1 to substantiate an individual's eligibility as a "qualified employee."

The error is in Package X (paper and CD-ROM 99.2) and the above stated booklet. The Internet version is correct.

Form FTB 3809, Targeted Tax Area Deduction and Credit Summary –

Instructions - Page 4, Column 1, Paragraph 1, Line 1 should read:

Recordkeeping. Retain a copy of Form TCA EZ1 to substantiate an individual's eligibility as a "qualified employee."

The error is in Package X (paper and CD-ROM 99.2) and the above stated booklet. The Internet version is correct.

FTB Publication 1157, Guidelines for Targeted Tax Area Tax Incentives – Instructions – Page 3, Column 2, Paragraph 2 – "**Recordkeeping**" Section, Line 1 should read:

Retain a copy of Form TCA EZ1 to substantiate an individual's eligibility as a "qualified employee."

The error is in the above stated FTB publication. The Internet version is correct.

Ask the Advocate

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If you wish to contact the Advocate, you can write to us at:

Taxpayer Advocate Bureau
MS B – 20
PO Box 157
Rancho Cordova, CA 95741-0157.

Send us a fax at:

(916) 845-6614.

Or contact us on the Internet at:
www.ftb.ca.gov/taxpayer_advocate.

Scannable, Substitute Forms

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Regents of the University of California, Los Angeles	(310) 794-8726	Tax and Accounting Software Corporation	(800) 998-9990
Rhodes Computer Services, Inc.	(706) 868-0985	The Northern Trust Company	Not Available
RIA	(800) 327-8829	Tax Link, Inc.	(614) 457-1949
SDDS Computer Accounting	(909) 987-2408	Taxware Systems, Inc.	(800) 877-1065
Southern California Permanente Medical Group	Not Available	Taxworks by Laser Systems	(801) 552-8800
Spidell Publishing, Inc.	(714) 776-7850	Universal Tax Systems, Inc.	(800) 755-9473
STF Services Corporation	(800) 541-7197	Weaver Land Corp	
		Tax Service	(408) 258-0912
		XPRESS Group, Inc.	(800) 285-1065

Two FTB Field Offices Relocate

Our Burbank field office is scheduled to move to Van Nuys in January. The new address will be:

15350 Sherman Way, Suite 100
Van Nuys, CA 91406-4203.

The Santa Rosa office will move to a new suite at its existing location in December. The new address is:

50 D Street, Room 100,
Santa Rosa, CA 95404-4750.

Form 540 2EZ Replaces Form 540 EZ

Don't expect to see Form 540 EZ this year. We have replaced it with our new Form 540 2EZ.

For tax year 2000, Form 540 2EZ will be included in a new tax booklet that places heavy emphasis on filing electronically. This booklet will be mailed to over two million California taxpayers. We've directed our marketing efforts at the software industry to encourage them to program the 2EZ. As a result, we expect to have more software developers offering Form 540 2EZ in their tax software products.

Our objective in developing this new form was to provide a return that looks easy, is easy to complete and offers a simple form to a larger universe of taxpayers. For example, by adding some of the characteristics of Form 540A, allowing four different filing statuses and up to three dependents, we've made it available to more taxpayers.

At the beginning of the year we mailed the form and a pre-addressed envelope, together in a specially designed tax booklet, to taxpayers. Two online tax filing companies made the form

available electronically for filing on-line via the Internet.

Taxpayers responded positively to both versions of the new form. About 73,000 1999 tax returns were e-filed using the Form 540 2EZ and 548,870 paper Form 540 2EZ tax returns were filed.

Form 540 2EZ enhancements for tax year 2000 are (1) allow most taxpayers claimed as dependents by other taxpayers to use the form, and (2) allow taxpayers who have unemployment compensation to use the form.

1999 Head of Household Audit is Under Way

Contact Us for HOH Workshop in Your Area

To learn more about HOH filing status, request an HOH workshop. The workshop includes a program overview, an explanation of the qualification criteria and a discussion regarding

important questions practitioners should ask their clients who file HOH.

For information on how to schedule a HOH workshop in your area, contact us at (916) 845-6870.

Typically, the annual Head of Household (HOH) Audit Program begins in July as we try to contact taxpayers soon after their tax return is filed. This year, however, we delayed the program until October due to extensive changes we made to the program, including our HOH audit letter.

Tax practitioners attending our HOH workshops provided us with valuable suggestions for changing our HOH audit letter in an effort to reduce the burden to the HOH filers who receive it.

For example, we reduced the audit letter from 16 questions for the 1998 tax year to nine for the 1999 tax year.

The questions are similar to those found in the form FTB1540E, "HOH Questionnaire" that electronic filers voluntarily submit.

Interest Rates

For the period of January 1, 2001, through June 30, 2001, the interest rate on underpayments and overpayments of California income taxes will be **nine percent**. The following table lists interest rates since January 1990.

Effective Date	Rate
1 Jan. 1990- 30 June 1990	11%
1 July 1990- 31 Dec. 1990	11%
1 Jan. 1991- 30 June 1991	11%
1 July 1991- 31 Dec. 1991	10%
1 Jan. 1992- 30 June 1992	10%
1 July 1992- 31 Dec. 1992	9%
1 Jan. 1993- 30 June 1993	8%
1 July 1993- 31 Dec. 1993	7%
Effective Date	Rate
1 Jan. 1994- 30 June 1994	7%
1 July 1994- 1 Dec. 1994	7%
1 Jan. 1995- 30 June 1995	8%
1 July 1995- 31 Dec. 1995	9%
1 Jan. 1996- 30 June 1996	9%
1 July 1996- 31 Dec. 1996	9%
1 Jan. 1997- 30 June 1997	9%
1 July 1997- 31 Dec. 1997	9%
1 Jan. 1998- 30 June 1998	9%
1 July 1998-31 Dec. 1998	9%
1 Jan. 1999-30 June 1999	8%
1 July 1999-31 Dec. 1999	7%
1 Jan. 2000-30 June 2000	8%
1 July 2000-31 Dec. 2000	8%
1 Jan. 2001-30 June 2001	9%

Finance or Operating Lease?

Client Needs to Make Distinction in Order to Qualify for MIC Credit

*In the September 1999 (Volume 99-5) edition of **Tax News**, we discussed the Manufacturers' Investment Credit (MIC) and operating (true) leases. The following article discusses the MIC and finance (capital) leases.*

Question: My client is using leased property in its California manufacturing business activity. Why do I need to determine if the lease is a finance or operating lease?

Answer: A distinction must be made between the two types of leases to:

- Determine whether the lease payments are to be capitalized or deducted
- Identify who is required to pay the California sales or use tax
- Determine whether the property qualifies for the MIC (It is assumed that all other criteria to qualify for the credit have been satisfied, i.e., a qualified taxpayer is claiming the qualified costs of qualified property used in a qualified activity.)

Under either type of lease, only the lessee may claim the MIC. For purposes of determining whether the lease is an operating or finance lease, you must apply the California sales and use tax

rules, rather than the California income or franchise tax rules.

Classification of the lease as an operating or finance lease will determine who must pay the California sales or use tax. It is entirely possible, although uncommon, that a lease is classified as a finance lease for income tax and/or generally accepted accounting principles (GAAP) purposes while being treated as an operating lease for California sales or use tax purposes. (An operating lease is considered a "continuing sale" under sales and use tax rules.)

Making the Distinction

Generally, under Revenue and Taxation Code sections 6006(g)(4) and (5), a lease of tangible personal property is treated as a finance lease (or sale) for California sales or use tax purposes, unless the property is one of the following:

- A** Mobile transportation equipment for use in transportation of persons or property as defined in R&TC section 6023; or
- B** Tangible personal property that:
 - Is leased in substantially the same form as acquired by the lessor and/or transferor, and
 - The lessor or transferor has paid California sales tax reimbursement or has paid California use tax measured by the purchase price of the property.

If the property meets either exception **A** or **B** listed above, the lease is deemed to be an operating lease. In addition,

under California sales or use tax rules, a lease will be treated as a finance lease if the lease agreement contains a nominal option price. An option price is considered nominal if the option price does not exceed the lesser of \$100 or 1 percent of the total contract price. Therefore, a lease containing a nominal option price is treated as a finance lease.

Who pays what?

A lessee that acquires property under a finance lease can qualify for the MIC. However, either the lessor or lessee must elect to pay the California sales or use tax (up front) based on the **lessee's** acquisition price, excluding any capitalized labor costs, of the property at the time of the purchase (under specified sections of the California sales and use tax law). The lessee's qualified MIC costs are based on such acquisition price as well. Here's an example:

N, a financing institution, leases two drill presses to **O**, a qualified taxpayer. The total cost under the terms of the lease is \$400 (**N's** acquisition cost), plus \$28 in California sales tax and a finance charge equal to the market rate of interest for loans for a similar period. Assume **O** will be using the drill presses in a California MIC-qualified activity. If either **N** (the lessor) or **O** (the lessee) remits the \$28 sales tax to the California State Board of Equalization, then **O** will be entitled to claim the MIC on the acquisition cost of \$400.

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Finance or Operating Lease?

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The lessee will not qualify for the credit if the use tax paid is measured by the lease payments. The use tax must be paid up-front. For example:

B, a financing company, leases qualified property to **A**.

B does not pay California sales or use tax at the time of purchase. **B** delivered a resale certificate to **A**.

B instead collects use tax from **A** over the lease term as part of the monthly lease agreement.

According to California sales and use tax law, this would be treated as a finance lease. However in this case, the property would not qualify for the MIC because neither the lessor nor the lessee paid California sales or use tax up-front.

What costs can I claim?

Assuming all of the other requirements for claiming the MIC have been met, the lessee can claim the credit for the lessor's cost of the qualified property that is placed in service on or after January 1, 1994.

The lessee may claim the credit at the same time and in the same amount as if the lessee had instead constructed, reconstructed, or acquired the qualified property other than by lease.

Generally, in the case of a finance lease, this amount is equivalent to the amount upon which California sales or use tax was paid, except the amount paid for capitalized labor. (Capitalized labor costs are exempt from California sales or use tax when it is a separately stated item.) Here is an example:

X leased a hydraulic turbine from **Y**, under a lease treated as a finance lease for California sales and use tax purposes, for a principal amount of \$150.

Y purchased the turbine for \$150, which included \$100 purchase price and \$50 of separately stated capitalized labor costs.

Y paid \$8 (8 percent of \$100) in California sales tax, based on the cost of the turbine excluding the separately stated capitalized labor costs.

If **X** had self-constructed the asset, its qualified costs would have been \$150.

Therefore, **X** would be able to claim the MIC on \$150.

Do the recapture rules apply?

If you claimed the MIC for qualified property, which was leased under a finance lease, will you be subject to the recapture provisions if the property is returned to the lessor?

In the case of finance leases, no recapture would take place if legal title is transferred to the lessor (where the lessor is not treated as the tax owner of the property) within one year or less of the date the property is first "placed in service" in California.

For purposes of applying the leasing rules under the MIC, the "placed in service" requirement is deemed to be satisfied at the time when all the terms and conditions of the lease contract have been completed so that the lessee has an unconditional obligation to pay all rents due under the contract to the lessor of the qualified property.

The other recapture criteria, e.g., removal from California, disposal of the asset to an unrelated party or usage for a non-qualified activity, will still apply to trigger recapture.

Premature Distributions

Continued from page 3

on premature distributions from a qualified retirement plan such as a 401(k), 457 deferred compensation plan, or Individual Retirement Arrangement (IRA). Premature distributions are identified by a code 1 in Box 7 of federal Form 1099-R.

We recommend you review the returns of those clients who reported premature distributions on their federal return for 1998 to ensure that they also reported the premature distribution tax on their California return (using form FTB 3805P, "Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs.").

For additional information, refer to FTB Publication 1005, "Pensions and Annuity Guidelines," "FTB Publication 1005A, "California Treatment of Roth IRA," and form FTB 3805P." All may be ordered at no charge by calling us at (800) 338-0505. Or, download them from our "Forms and Publications" Webpage located on our Website at www.ftb.ca.gov.

S Corporations

Court to Decide How Excluded Cancellation of Debt Income Impacts Shareholder Basis

Question: Will an S corporation's excluded cancellation of debt (COD) income increase the shareholder basis?

Answer: The final word is in the hands of the United States Supreme Court.

Here's a possible scenario:

An individual taxpayer is the 100 percent owner of an S corporation. The taxpayer invested \$500,000 in the corporation since incorporation in 1994.

In the years from 1994 to 1997, the S corporation generated substantial losses totaling \$2,000,000. Due to the basis limitations under IRC Sec. 1366 & 1367, the taxpayer could only take \$500,000 in losses and had the remaining \$1,500,000 suspended.

In addition, the S Corporation borrowed \$4,000,000 from the bank. In 1997, the S Corporation had some financial problems and became insolvent (or filed for bankruptcy).

As a result, the bank forgave the \$4,000,000 debt. Although cancellation of debt (COD) income is usually taxable, under IRC Sec. 108 it is excluded from gross income in the case of insolvent taxpayers to the extent of the insolvency amount. Neither the S corporation nor the shareholders have to report the COD income.

The question is whether this COD income can increase the shareholder's basis in the S corporation. If the answer is *yes*, then the taxpayer can deduct the suspended \$1,500,000 losses in 1997

due to the basis increase of \$4,000,000 COD income.

If the answer is *no*, then the taxpayer won't be able to deduct the \$1,500,000 suspended until additional investment is made by the taxpayer into the S corporation.

Court decisions

The tax court has consistently taken the position that the COD income won't increase shareholder basis following the Nelson decision. However, the circuit courts are split on this issue. Some courts allow the shareholders to increase the basis by the COD income, some courts do not. The United States Supreme Court granted certiorari in Gitlitz, which will ultimately decide the outcome of this issue.

Current FTB position

We have consistently taken the position that COD income will not increase shareholder basis as supported by the California State Board of Equalization decision (Quick) and Tax Court decisions (Nelson and Gitlitz). Audit in progress will proceed under normal practices.

For cases currently under protest or appeal, we are deferring any action until the U.S. Supreme Court makes its ruling on this issue. In the meantime, if you filed your clients' returns or paid taxes on our notices following the Tax Court's decision (Nelson or Gitlitz) and did not increase shareholder basis by COD income, you should consider filing a protective claim for refund to protect the statute of limitation in the event the U.S. Supreme Court overturns the tax court decision.

Legislative Analyses on the Internet

Would you like to know more about a legislative measure you read about in Tax News? We post analyses of legislation on our Website.

Go to www.ftb.ca.gov and click on the Law and Legislation button. There you will find a preview of proposed tax law changes and how they might affect your clients if the legislation becomes law.

We also post proposed and final regulations, legal notices and rulings, and links to the Revenue and Tax Law and the California Code of Regulations.

You can find legislative measures at www.leginfo.ca.gov, the Official California Legislation Information Website.

Time to Order 2000 Package X

Continued from page 1

You should be able to use the CD-ROM if you have:

- A 486DX or Pentium computer with a processor speed of 33 megahertz or faster.
- Microsoft Windows "95," "98," "2000" or NT 4.0 (or later versions).
- Eight megabytes of RAM (main memory).
- Double speed or greater CD-ROM drive capable of reading ISO 9660 format.
- VGA, SVGA or higher resolution color video display/adaptor.
- PostScript Windows-compatible printer or Hewlett-Packard LaserJet III and above with one megabyte of user RAM.

To place your order for a Package X, use the 2000 Tax News/Package X order form on the back page of this issue. You can also use the form to renew your subscription to Tax News.

Here are some tips for completing the order form:

- Use the 2000 order form provided. Do not use a form from a previous year. Even if you cross out the year and write in "2000," you are

using an out-of-date order form which may delay your order.

- Make any necessary corrections to the name and mailing address printed on the form.
- Provide your telephone number.
- Add the amounts for the Package X and the Tax News orders, and apply the appropriate amount of sales tax to the Package X order based on the county of your residence. (Refer to the sales tax table provided on this page.) Remember: Do not apply sales tax to the Tax News order amount.
- Be sure to enclose your check or money order, payable to the "Franchise Tax Board." Orders without payments are not processed. Please do not send cash.

Mail the order form and your check or money order to:

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7.25%

Note: Effective January 1, 2001, sales tax rates in California will be reduced by a quarter-cent.

E-Government and FTB

Access Blueprint, Suggestion Box From Our Website

In the July issue of *Tax News* we alerted you to the e-government planning efforts under way at the Franchise Tax Board. The *E-Government Blueprint* mentioned as one of the outcomes of those efforts is now complete and available on our website.

In the blueprint we lay out our high level vision and goals in the area of e-government, discuss our more specific objectives relative to those goals, and set forth the high-level strategies that will help us deal with issues along the way.

The list below provides some of the projects that we will implement over the next 16 months in support of our first goal (See article entitled *FTB's E-Government Vision* on this page.)

- Provide web-based access to all tax forms.
- Create a filing portal to accept e-filed tax returns directly from taxpayers who prepare their returns using commercial software.
- Accept electronic requests for installment payment agreements (added as a new feature for e-filed personal income tax returns)
- Use customer service numbers to authenticate individuals who e-file their tax returns. (See article entitled *Customer Service Numbers* on page 2)

FTB's E-Government Vision

Transform the relationship between FTB and our customers, suppliers, and distribution channels by using appropriate technologies to offer high-quality e-government services.

FTB will become more accessible to taxpayers and others by offering an array of products and services that are easy to use, tailored, secure, confidential and convenient. These electronic channels will create value for our customers without increasing cost or burden and without increasing long-term costs to FTB.

Our Goals:

Deliver e-government services to our customers and their agents.

Use appropriate technologies to improve how we conduct business internally and with our suppliers.

- Provide a web-based inquiry process for identifying FTB-approved tax practitioners offering e-file services within a specified zip code area. (See article entitled *Locator Helps Taxpayers...* on page 2)
- Secure e-mail proof-of-concept project using encrypted/digital signature communication to/from a pilot group of tax practitioners, attorneys, and corporations.

The initial response to the blueprint from representatives in the tax practitioner and electronic tax preparation industries has been positive. We will continue to provide you with information and seek

your input about our plans for implementing e-government at FTB.

Central to our plans is our desire to become increasingly "customer-centric" in these implementation efforts. In order to give more value to our clients, we have launched a comprehensive effort to research taxpayer and tax practitioner preferences relative to e-government services through the use of surveys, focus groups and other methods.

In addition, we will continue to seek your input and provide you with updates on our progress at conferences and meetings and through our Speaker's Bureau, articles in *Tax News*, and the electronic suggestion box that accompanies the blueprint on our website.



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