

## California tax shelter resolution initiative

There's still time to participate in California's Tax Shelter Resolution Initiative. Our initiative, which follows the IRS tax shelter settlement initiative outlined in IRS Announcement 2005-80 [www.irs.gov](http://www.irs.gov), runs through March 31, 2006. Because March 31 is a state holiday, April 3, 2006, is the final date to file an election to participate in the initiative. Taxpayers who are qualified to participate in the IRS Initiative and who fully complete the requirements of the federal program are eligible for the California program.

To participate in the California Initiative, taxpayers will be required to sign a closing agreement with the FTB relinquishing their right to file a claim for refund or an appeal for any amounts paid under the California Initiative and to contest issues for which they elected to participate in the initiative. Participants are required to pay 100 percent of the taxes owed, interest, and the applicable accuracy-related penalty, which ranges from five to 20 percent. Participants are allowed to deduct their out-of-pocket promoter fees and transaction costs as an ordinary loss. Taxpayers wanting to participate must file form FTB 638, *California Tax Shelter Resolution Initiative*

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*Selvi Stanislaus sworn in as fourth Executive Officer of the State of California Franchise Tax Board by Board of Equalization Chair John Chiang on January 17, 2006. See related story on page 11.*

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

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If you need help subscribing to any of our products or services, call the *Tax News* Helpdesk at (916) 845-3428 or send an email message to [taxnews@ftb.ca.gov](mailto:taxnews@ftb.ca.gov).

**Tax Practitioner Services**

Our Tax Practitioner Support Unit is available from 8 a.m. to 5 p.m., Monday through Friday. Our telephone number is (916) 845-7057. You can send us a fax 24 hours a day, seven days a week. Our fax number is (916) 845-6377.

Hearing Impaired  
TDD (800) 822-6268

# When estimate payments just don't add up

Getting your clients' tax returns through our processing system with minimal processing snags is a goal that we share with you. One of the best ways to accomplish this is to double-check estimated tax payments before filing tax returns. Almost one-third of the information notices we mail are for discrepancies between the amount of estimated tax payments claimed, and the amount we have received.

In spite of your best efforts, you may have had clients in past years who received a notice from us stating, "We revised the amount of estimated tax payments shown on your return because our records do not show the same amount received." Here are some specific steps that will minimize the number of discrepancy notices about estimated tax payments that are sent to your clients:

- Verify the estimate payment amounts before tax return filing. You or your client can view our record of estimate payments we have received by going to [www.ftb.ca.gov](http://www.ftb.ca.gov) and following the instructions for viewing estimated tax payments.
- If you discover a discrepancy, call us. Tell us the document numbers we stamped on the canceled checks and we will make sure the payments are posted to the correct account.

If you're wondering why there would be a discrepancy in the first place, here are the most common reasons why our records show estimate amounts that are different from the estimate amount your clients show:

- The estimated payment was actually sent to the IRS, not the Franchise Tax Board.
- The wrong social security number was entered on the check or voucher, or we made a mistake when we entered this information in our files.
- The overpayment that was transferred from the 2004 return to 2005 estimate was reduced due to an error on the 2004 return.
- The amount sent to pay the balance due on the 2004 return is mistaken for the first estimate installment for 2005 (both were due 4/15/2005).
- If the taxpayer filed with a status of married filing joint in 2004, but is using a single status in 2005, the other spouse may have claimed the payments.

## California tax shelter resolution initiative

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*Election to Participate in Notice 2006-1* [www.ftb.ca.gov](http://www.ftb.ca.gov) (see page 7). Taxpayers who do not participate are subject to California's abusive tax shelter penalties, including the non-economic substance transaction understatement penalty and the 100 percent interest based penalty.

For more information, go to [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for "FTB Notice 2006-1" and "tax shelter initiative FAQs."

# What is FTB's position on Delaware Series LLCs?



## Ask the Advocate

Debbie Newcomb  
Taxpayer  
Advocate

The business community is requesting tax-filing guidance from state government on the Delaware Series Limited Liability Company (LLC). The Delaware Series LLC is a relatively new business entity classification and there is minimal federal guidance on whether each series within a master series LLC is a separate taxpayer. We have taken the position that each series within the Series LLC is a separate business entity and each has a filing requirement *if it is registered or doing business in California*. Members of our audit staff have identified many issues associated with Series LLC that could lead to abusive tax strategies if they are not appropriately addressed.

Under the Delaware LLC Act, Section 18-215, a single LLC agreement may establish one or more designated series of members, managers or LLC interests having separate rights, powers or duties relating to specified property or obligations of the LLC, or profits and losses associated with specified property or obligations. Any such series may have a separate business purpose or investment objective. Additionally, a series may be terminated and its affairs wound up without causing the dissolution of the LLC. Other states have passed series LLC legislation.

A Series LLC is essentially a master LLC that has separate divisions, similar to an S corporation with Q-subs. Each

division has its own liabilities and assets and a creditor should only be able to pursue that entity's assets rather than the entire series' assets. The claimed business purposes are liability protection and flexibility, with the added bonus that they would pay the LLC fee and the minimum tax only once.

The Treasury Department has not issued direct guidance on the tax treatment of Series LLCs. Review of the tax research services indicates that the Series LLCs are compared to the separate series of a single trust, which have been regarded as separate taxpayers as found in *National Securities Series — Industrial Stock Series v. Commissioner*, 13 TC 884 and Revenue Ruling 55-416. In addition, the IRS issued various private letter rulings based on those early authorities.

California has not adopted a statute similar to the Delaware Series LLC. Tax practitioners propose that only one Form 568 needs to be filed for the entire series. FTB does not agree. Our current position is that each series in a Delaware Series LLC is considered a separate LLC and must file its own Form 568 *Liability Company Return of Income* and pay its own separate LLC annual tax and fee *if it is registered or doing business in California*. We included this statement with the 2005 Form 568 instructions and its updates.

## Do you have a need to know?

If you do have a need to know, the FTB Speakers' Bureau is available to help non-profit organizations, community and professional groups, and government-funded educational institutions learn more about tax-related issues. We provide speakers who can give you the details and the latest updates on a variety of tax-related topics. The Speakers' Bureau is one of our ongoing ventures that acknowledge the continuing educational needs of tax professionals and non-profit tax-related organizations.

FTB speakers typically make brief presentations to groups of 25 or more. If you are interested in requesting a speaker contact Steve Sims at (916) 845-7565, at least 30 days before your event.

# FTB launches its second year of *ReadyReturn* pilot program

More than 11,200 taxpayers took advantage of the convenience of our *ReadyReturn* pilot program in 2005. Learn more about our 2005 pilot, and read our *Tax Year 2004 ReadyReturn* report on our Website (go to [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for **ReadyReturn report**.) Due to positive taxpayer feedback, we are conducting the pilot again this year. We have once again selected 50,000 taxpayers and are sending them a letter explaining the pilot, and a completed tax return.

We selected taxpayers to participate in the pilot based on their filing history. We sent an invitation and a completed *ReadyReturn* by mail to taxpayers who meet these criteria:

- Single filing status.
- No dependents.
- Standard deduction.
- Only one employer.
- Wages are only source of income.

We designed the program to make it easier for taxpayers who file the simplest returns, like those whose only sources of income and tax payments are wages and withholding. *ReadyReturn* uses information already provided to us by employers, such as W-2 data. Taxpayers review the return for accuracy before submitting it.

Our invitation gives taxpayers instructions on how to view and e-file their returns via FTB's *ReadyReturn*

Website at [www.ftb.ca.gov](http://www.ftb.ca.gov). Taxpayers may choose to accept the return as presented, or they can modify information if their circumstances have changed, e.g., if they have received additional income, are newly married, or added any dependents to their family."

Taxpayers can file their *ReadyReturn* with us in a couple of ways. They can:

- Go to the FTB *ReadyReturn* Website to e-file their return, or to modify their return and then e-file it.
- Mail their *ReadyReturn* to us instead of e-filing it.

Taxpayers can also choose to disregard our invitation and file their return how they normally would.

## New subscription service

We launched our new subscription service on January 19, and it is now even easier to subscribe to *Tax News Online*, and to receive email alerts on the e-filing program. If you read *Tax News Online*, but don't yet subscribe to the service that delivers *Tax News* to your email inbox, you may want to consider signing up, especially since the March/April issue of *Tax News* is the final one that will go to print.

The subscription process couldn't be simpler – just enter your email address, check the box for *Tax News*, and you're done. It's the same easy process for signing up to receive email updates about e-file. Any time you wish to *unsubscribe* to either or both services, visit the subscriptions page again, and click on *unsubscribe*.

# Criminal corner

Multiple felony cases were brought to court the past couple of months, helping to narrow California's \$6.5 billion tax gap, which is defined as the difference between tax that is owed and tax that is paid. Our special agents uncovered instances of income underreporting, overstating deductions, failing to file returns, failing to pay taxes due, and making illegal cash payments to employees, all of which contribute to the state's tax gap. You can report suspected tax fraud by calling the FTB at (800) 540-3453.

## Three guilty in million-dollar embezzlement, tax fraud scheme

On December 29, 2005, a Castaic couple and a Northridge man pleaded no contest to felony charges for their role in a scheme that stole more than \$1 million dollars from a local irrigation company.

Former bookkeeper Dina A. Saremi, aka Dina Glave, 35, and Kamron Saremi, 31, each pleaded no contest to one felony count of grand theft and one felony count of filing a false state income tax return. Richard Rodriguez, 34, pleaded no contest to one felony count of grand theft with an enhancement for taking more than \$150,000, and one felony count of state income tax evasion.

During 1999-2000, Saremi abused her position of trust when she fraudulently issued checks to fictitious companies created by Rodriguez and two other individuals, David Gold, 34, of Los Angeles, and Peter Demetrulias, 54, of Newhall. Saremi used her share of the money to pay personal credit cards, buy airline tickets, and make home improvements. In addition, the Saremis failed to claim this money on their 1999-2000 jointly filed state income tax returns. Rodriguez failed to file his 1999 state income tax return. All income is taxable including income from illegal sources.

The Saremis were ordered to pay the FTB restitution of more than \$26,600 and Rodriguez ordered to pay more than \$44,500. Dina Saremi faces a maximum sentence of six years in state prison, and Kamron Saremi faces a maximum term of one year in county jail. Rodriguez faces a maximum term of three years in state prison.

## Van Nuys tax preparer pleads no contest to preparing false returns

On January 6, 2006, a Van Nuys tax preparer pleaded no contest to one felony charge of preparing fraudulent state income tax returns.

Jose L. Ordonez, Jr., 31, operated RLL Services, a tax preparation business. According to court documents, Ordonez prepared more than 1,000 tax returns for his clients for tax year

2002. A sampling of nine returns revealed a scheme where Ordonez prepared tax returns for his clients to generate larger state income tax refunds. Ordonez' scheme involved claiming a fraudulent amount of the Child and Dependent Care Credit. Ordonez benefited from the scheme through an increase in the number of clients at his business.

Taxpayers contacted by FTB investigators stated that they did not know the care provider listed on their individual tax return and did not provide any care provider information to Ordonez.

In addition to the time already served, Ordonez was sentenced to 250 hours community service and placed on three years formal probation. Ordonez was ordered not to practice as a tax preparer or prepare tax returns for the term of his probation. He handed the court a cashier's check for \$30,000 representing the amount of restitution he was ordered to pay FTB.

## Former fugitive pleads guilty in state tax fraud case

A Santa Clara man who fled the country to avoid prosecution pleaded guilty on January 11, 2006, to six felony counts of state tax fraud.

Larry M. Stenshoel, 74, pleaded to three counts of filing fraudulent state income tax returns, two counts of failing to file state sales tax returns, and one count of grand theft for stealing a customer's sales tax payment. Stenshoel faces up to seven years in state prison if sentenced to the maximum term. He also owes the state more than \$1.4 million in restitution, representing the unpaid sales and income tax, penalties, interest, and the cost of the investigation.

Stenshoel fled the country in 2001, and was arrested in Texas in January 2003, when he tried to re-enter the country. After fighting his extradition, Stenshoel was brought back to California in June 2005. Stenshoel owned and operated a local waterproofing company and set up fraudulent trusts for the business and his personal matters to evade state income taxes. Stenshoel filed false state tax returns for 1994-1996 and failed to pay the 1995-1996 state sales tax for his business.

## Restaurant bookkeeper pleads no contest to 'cooking the books'

A Los Angeles couple pleaded no contest to felony charges, including tax evasion on January 24, 2006.

Diana V. Kulow, 40, a bookkeeper, pleaded no contest to one count of grand theft. Her husband, Christopher Kulow, 41, pleaded no contest to one count state income tax evasion.

# Criminal corner

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According to court documents, Mrs. Kulow was employed by a Los Angeles French cuisine restaurant as bookkeeper. She abused her position of trust by embezzling more than \$55,000 from her employer during 2003. Kulow manipulated the books by altering receipts, adding non-existent receipts, inflating petty cash slips, and using the same receipt more than once. Kulow failed to claim the embezzled funds and more than \$44,700 in income she earned on her 2003 state tax return. Christopher Kulow failed to report the more than \$55,800 he earned on his 2003 state income tax return. All income is taxable including income from illegal sources.

Both face a maximum of three years in state prison. Restitution to the victims will also be determined at that time. The couple owes the state more than \$11,900 in unpaid tax.

## Tax fraud scam lands San Diego man in state prison

A San Diego man was sentenced on January 25, 2006, to two years in state prison for state income tax evasion, unemployed insurance code fraud, and writing bad checks.

Kenneth Robertson, 40, owns and operates Keeping Relationships Intact, Inc. Robertson's corporation is a staff-leasing company offering its services to the construction industry. By maintaining that the employees of various San Diego-area contractors were employed by his corporation, these contractors were able to avoid a payment of withholding taxes. Robertson failed to report the more than \$982,000 in income he received during 2002-2003 on his state income tax returns. He also issued bad checks to the contractors' employees as well as his own. The scam was discovered when an employee applied for unemployment insurance, and the Employment Development Department had no record of this individual.

In addition to the state prison sentence, Robertson was ordered to pay the FTB restitution of more than \$90,000 representing the unpaid tax, penalties, interest, and the cost of the investigation.

San Diego County Deputy District Attorney Ernie Marugg said, "Based on the facts of this case, I am pleased with the results. Staff leasing companies are one of many scams we are looking at for unemployment insurance, withholding, and income tax fraud."

This was a joint investigation between the State Board of Equalization, the Santa Clara County District Attorney's Office, and the FTB.

## FTB arrests three in tax refund fraud sweep

Franchise Tax Board (FTB) special agents arrested three Southern Californians on February 8, 2006, in a refund fraud crackdown.

Arrested were Susan Lilia Torres, 23, of Pomona; Tiffany Nicole Jackson, 28, of Los Angeles; and Larinda R. Clark, 53, of Los Angeles. Each faces charges of filing a false state income tax return, tax refund fraud, grand theft, and burglary.

According to FTB special agents, the cases are unrelated, but the circumstances are similar. Torres allegedly filed a false 2002 income tax return, while Jackson and Clark each allegedly filed false 2001 and 2002 income tax returns. Each used a false Form W-2, Wage and Tax Statement, to file the tax return, which generated a fraudulent refund. In each case, the individual did not work for the employer listed on the W-2, and was not entitled to the refund.

Each felony tax count carries a maximum of three years in state prison.

The fraud was discovered by FTB's internal fraud detection process.

The Los Angeles County suspects were transported to the Inmate Receiving Center or the West Valley Detention Center. Arraignments for each suspect are pending. The Los Angeles County District Attorney's Office is prosecuting these cases

## A San Diego roofer pleads guilty in underground economy tax case

On February 14, 2006, a San Diego County roofing contractor pleaded guilty to felony counts of tax evasion involving the Franchise Tax Board (FTB), Employment Development Department (EDD), and State Compensation Insurance Fund (SCIF), according to the FTB.

Arturo Rodriguez Cuevas, 43, of National City, is the owner of Cuevas Roofing and Painting, Inc. According to court documents, Cuevas engaged in a cash pay scheme to defraud the EDD, the SCIF, and the FTB. Records show Cuevas Roofing and Painting, Inc., paid cash wages to employees and underreported payroll totaling more than \$381,700 for the period October 1, 1999 through June 25, 2002. In addition, Cuevas filed a fraudulent 1999 state income tax return with the FTB.

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STATE OF CALIFORNIA  
**FRANCHISE TAX BOARD**  
 PO BOX 1673  
 RANCHO CORDOVA CA 95812-1673  
 TELEPHONE: (916) 845-3752  
 FAX NUMBER: (916) 845-5267

**CALIFORNIA TAX SHELTER RESOLUTION INITIATIVE  
 ELECTION TO PARTICIPATE IN NOTICE 2006-1**

Once you or your authorized representative completes and signs FTB 638, *California Tax Shelter Resolution Initiative - Election to Participate in Notice 2006-1*, the completed form serves as an agreement between you and the Franchise Tax Board. Please see the instructions on Side 2 for participation requirements and other information.

**Complete this form and file it along with a copy of IRS Form 13750, Election to Participate in Announcement 2005-80 Settlement Initiative, including all schedules (including, but not limited to, Schedules A and B), for each transaction for which you are making an Election to Participate under the California Initiative, no later than March 31, 2006.**

Taxpayers who fail to provide the required information with form FTB 638 will **not** be eligible to participate in the California Initiative. The Franchise Tax Board may request additional information that must be submitted by the time provided in those requests, including a California amended return reversing the transaction(s) for which you are making an Election to Participate under the California Initiative.

<p><b>1. Name.</b> Provide us with your name and, if you file a joint tax return, your spouse's name.</p>	<p><b>2. Your Taxpayer Identification Number.</b> You must provide your California Corporation Number, Employer Identification Number or Social Security Number. For Privacy Act Notice, get form FTB 1131.</p> <p>California Corporation Number: _____</p> <p>EIN: _____ - _____</p> <p>SSN: _____ - _____ - _____</p>
<p><b>3. Address</b> (Street, City, State, ZIP code)</p>	<p><b>4. Telephone number</b> ( ) _____ - _____</p> <p><b>5. Fax number</b> ( ) _____ - _____</p>

**6. PLEASE SIGN BELOW**

I declare, under penalty of perjury of the laws of the State of California, that I examined this form, including any accompanying statements and attachments, and the information contained therein is true, correct, and complete. I am properly authorized to execute this form.

\_\_\_\_\_ I am the taxpayer identified in this form and this declaration is based upon my personal knowledge.

\_\_\_\_\_ I am the authorized representative of the taxpayer(s) identified in this form and this declaration is based upon all information I have obtained regarding the matter(s) for which this election is submitted.

Your name (*please print*): \_\_\_\_\_ Spouse's name (*please print*): \_\_\_\_\_

Your signature: \_\_\_\_\_ Spouse's signature \_\_\_\_\_

Date: \_\_\_\_\_ Telephone number: (\_\_\_\_) \_\_\_\_\_ Date: \_\_\_\_\_ Telephone number: (\_\_\_\_) \_\_\_\_\_

Note: An Election to Participate signed by a representative or an attorney-in-fact must be accompanied by a completed Power of Attorney (form FTB 3520) authorizing such a signature.

For Privacy Act Notice, get form FTB 1131.

# INSTRUCTIONS FOR COMPLETING FTB 638 (California Tax Shelter Resolution Initiative - Election to Participate in FTB Notice 2006-1)

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## A) GENERAL INFORMATION

The California Tax Shelter Resolution Initiative (California Initiative) is for taxpayers eligible to participate in, and who fully complete the requirements of, the Internal Revenue Service (IRS) Settlement Initiative described in Announcement 2005-80 and have underreported California tax liabilities due to transactions listed in Section 3 of IRS Announcement 2005-80.

California taxpayers satisfying all requirements of the IRS Settlement Initiative and the California Initiative can avoid all penalty assessments except the accuracy-related penalty, which will be assessed at the percentage rate specified in Section 3 of IRS Announcement 2005-80. California taxpayers can also claim transaction costs paid, including professional and promoter fees, as an ordinary loss, provided these amounts have not been previously refunded to the taxpayer.

### VOLUNTARY COMPLIANCE INITIATIVE TAXPAYERS

Taxpayers that participated in the Voluntary Compliance Initiative, pursuant to California Revenue & Taxation Code (RTC) section 19752(b), commonly referred to as Option 2, have a right to file a claim for refund and appeal.

If you participated in the IRS Settlement Initiative with respect to that transaction, you may also, if timely requested, participate in the California Initiative. However, to satisfy the requirements of the California Initiative, you will be required to enter into a closing agreement waiving your right to file a claim for refund or an appeal for any amounts paid under the California Initiative and issues for which you elect to participate in this initiative.

## B) HOW TO PARTICIPATE

To participate in the California Initiative you must fully complete the following requirements:

1. File an irrevocable Election to Participate in the California Initiative (form FTB 638) with the Franchise Tax Board not later than March 31, 2006, **and** attach a copy of IRS Form 13750, Election to Participate in Announcement 2005-80 Settlement Initiative, including all schedules (including, but not limited to, Schedules A and B), for each transaction for which you are making an Election to Participate under the California Initiative.

**Taxpayers who fail to provide the required information with form FTB 638 will not be eligible to participate in the Initiative.**

2. File a California amended return reversing the transaction(s) for which you are making an Election to Participate under the California Initiative.
3. Execute a closing agreement with the Franchise Tax Board, permanently resolving all tax, interest, and penalty consequences associated with your participation in any transaction listed in Announcement 2005-80. Under this agreement, you will not be able to file a claim for refund or appeal for any amounts paid under the California Initiative and issues for which you elect to participate in this initiative. In connection with the preparation of the closing agreement, the Franchise Tax Board may request additional information and documents relating to the transaction, such as marketing materials and tax opinion letters, which will be required to be submitted at the time provided in those requests.
4. Provide the Franchise Tax Board with a copy of the fully executed IRS closing agreement within 30 days of signing the IRS closing agreement.
5. Pay in full all taxes, interest and penalties due under the terms of the closing agreement at the time the closing agreement is returned to the Franchise Tax Board. If you are unable to make full payment, you may request an arrangement to pay under an installment agreement. For more information, get the FTB 3567 Booklet from our website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

## C) WHERE TO FILE

Send your completed form FTB 638 and all the requested documents by mail or fax.

### Mail

TAX SHELTER RESOLUTION INITIATIVE MS F-385  
FRANCHISE TAX BOARD  
PO BOX 1673  
SACRAMENTO CA 95812-1673

### Fax

(916) 845-5267

## D) ADDITIONAL INFORMATION

To get more information about the California Tax Shelter Resolution Initiative get FTB Notice 2006-1 from our website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

### Assistance for persons with disabilities:

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

# e-file News

## Save time with e-Services

How often are your clients unsure if they made their estimated payments or if they were made on time? Did you know that you can get a snapshot of your clients' accounts, including the payments they made and their balance due amounts? With your client's permission, you can use many of FTB's e-Services on their behalf. You can also use them for your own business or personal needs. The following e-Services are just a mouse-click away:

- *CalFile*.
- Register to e-file.
- View Payment and Balance Due Information.
- View Refund Status (also available in Spanish).
- Check e-file Return Status.
- Make any payment with Web Pay up to one year in advance.
- Make any payment by credit card.
- Electronic Installment Agreements.
- Subscription Services.

## We also have the following programs for corporate taxpayers:

- Business e-file
- Electronic Funds Transfer

For more information, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for **e-Services**.

## File paperless Schedules K-1 (565 or 568)

The Franchise Tax Board is eager to help tax professionals, partnerships, and limited liability companies (LLC) file paperless Schedules K-1 (565 or 568). Using a CD to file paperless Schedules K-1 (565 or 568) is easy, and will save you time and money whether you're filing a large partnership with over 50,000 partners or an LLC with five members. All you need is a personal computer, spreadsheet program, and your partnership or LLC return data. The specifications and record layouts are located in FTB Pub.1062, *Guide for Filing Paperless Schedules K-1 (565 or 568)*. Once the information is complete, burn it to a CD and mail the CD to FTB at the address shown in Pub. 1062.

If you have more questions or need more information, visit [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for *Paperless Schedules K-1* or contact e-Programs Customer Service at (916) 845-0353, between 8 a.m. - 5 p.m., Monday through Friday.

## Corporate e-filing has begun

During the first two months that Business e-file was available, we received over 600 returns. With your help, Business e-file will continue to grow throughout the year.

If you are not yet an approved Electronic Return Originator and want to e-file your clients' business tax returns, you must first enroll with the Internal Revenue Service. Once you have your Electronic Filer Identification Number, complete and submit the *California e-file Program Enrollment Form* (FTB 8633) online at [www.ftb.ca.gov](http://www.ftb.ca.gov) (search for *Join e-file*).

If you are already enrolled in the California e-file program, you do not need to enroll again for Business e-file. If your office would like to use different contact information for Business e-file, you can also use our online enrollment form to update your information ([www.ftb.ca.gov](http://www.ftb.ca.gov) search for *Join e-file*).

For more information about Business e-file, including the list of approved software providers, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for *e-file*. For California Business e-file questions, please contact us at:

## e-Programs Customer Service

Phone: (916) 845-0353

Email: [e-file@ftb.ca.gov](mailto:e-file@ftb.ca.gov)



## Offer in compromise and innocent spouse presentations

To assist the Tax Practitioner community, the offer in compromise (OIC) and innocent spouse (IS) groups welcome invitations for OIC and IS presentations. We hope to increase understanding of the OIC and IS programs with this outreach effort. We also want to give practitioners an opportunity to ask

questions and express concerns. We believe this will reinforce our working relationship with the Practitioner community, and help us find ways to further improve our services.

To schedule a presentation, please contact Kurt Arico at (916) 845-6151.

### Correction to our January/February issue

The article “Changes in store for head of household filers” found on page 9 of the January/February issue of *Tax News* has been revised. Please review the revised version on our Website at [www.ftb.ca.gov/professionals/taxnews/Index.html](http://www.ftb.ca.gov/professionals/taxnews/Index.html). We regret any inconvenience this may have caused.

## California Tax Information Center renovation

The California Tax Information Center (CTIC) Website ([www.taxes.ca.gov/](http://www.taxes.ca.gov/)) is about to get even better. A task force consisting of FTB, Board of Equalization, and the IRS is launching a project to turn the Website into the California Tax Service Center. It will continue to offer one-stop shopping for FTB, Employment Development Department, Board of Equalization, and IRS information. This is the place where you can currently find:

- Answers to questions about individual taxes and business taxes.
- News items about income, sales, employment, and payroll taxes.
- The Small Business Assistance Center and the Tax Calendar.
- An extensive list of links to get to other state and federal agencies, and other tax organizations like the Federation of Tax Administrators and California Taxpayers' Association.

As a tax service center, the Website will be more transparent and updated for better usability. The task force will make sure the Website is dedicated to your needs as tax professionals. *Tax News* will keep you posted as the CTIC Website is transformed into the California Tax Service Center.

# Selvi Stanislaus

## new FTB executive officer

The Franchise Tax Board marked an historic event on January 17, 2006, when Selvi Stanislaus was sworn in as the Franchise Tax Board's fourth Executive Officer since 1950. Before her appointment, Stanislaus was the Acting Assistant Chief Counsel of the Tax and Fee Programs Division at the State of California Board of Equalization. She has expressed her commitment to making FTB more transparent, more customer-service oriented, and better at collecting tax revenue to close California's tax gap "so that the legislature does not have to increase the tax burden on our already compliant citizens."

Closing the tax gap is a high priority for Stanislaus. She sees her role as leading FTB into using technology, smarter investigative techniques, and increased collections to help

close the gap of \$6.5 billion. An essential part of promoting compliance and closing the tax gap is working closely with the tax professional community.

"The US and California tax codes are based on voluntary compliance. When the average citizen, the average taxpayer, feels the system is being abused, then the taxpayer's confidence in the system crumbles. My responsibility is to ensure the trust and faith the three-member Franchise Tax Board, and taxpaying citizens of California, have placed in me continues to make our tax system function properly. I can accomplish this by making the FTB more transparent. What this means is tax issues do not need to be so contentious. There doesn't need to be this battle between the tax preparation community and the tax board. We can work cooperatively with one another. I want to be an active participant in the tax preparation community."

## Criminal corner

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Cuevas was sentenced to three years of formal probation and ordered to pay restitution in the amounts of \$120,000 to SCIF, \$45,000 to EDD, and \$8,000 to the FTB.

The underground economy is part of the \$6.5 billion tax gap now facing California. Making illegal cash payments to employees allows employers to unlawfully and unfairly lower their payroll costs. By paying cash, employers can evade their obligations to make payroll deductions for income tax, workers' compensation premiums, and Social Security contributions. Paying wages in cash also makes it easier for the employees to evade taxes, since there is no record of their

wages reported to the taxing authorities.

"This sentence sends a message that tax cheating is not a victimless crime. The victims in this case include the honest taxpayers and businesses of California. By cheating on his payroll taxes and his workers compensation, he could underbid his competitors for jobs. By not paying us, the honest taxpayers have to pay more," said Holly McDonell, public affairs spokesperson for the FTB.

This was a joint investigation between the San Diego County District Attorney's Office, the EDD, the SCIF, and the FTB.

## The last print issue of Tax News goes to press

The March/April issue of *Tax News* is the final one that will be printed. Beginning with the May issue, *Tax News* will be available electronically at the *Tax News Online* Website ([www.ftb.ca.gov/professionals/taxnews/Index.html](http://www.ftb.ca.gov/professionals/taxnews/Index.html)). Make sure you subscribe, using our brand new, super-easy subscription services ([www.ftb.ca.gov/listmanager.ftb.ca.gov/subscribe/ftbsubscribe.html](http://www.ftb.ca.gov/listmanager.ftb.ca.gov/subscribe/ftbsubscribe.html)). *Tax News Online* will continue to give you the latest information on the laws, legislation, programs, and services important to tax professionals. And, you'll be getting that information more often – monthly rather than bi-monthly. Watch for our inaugural issue on May 1, 2006.

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