MAY 1997

CALIFORNIA FRANCHISE TAX BOARD

Tax News

FTB on Call

During this year's tax filing season, the Franchise Tax Board fielded tax professionals' questions and responded to their requests by the thousands.

By April 15, tax professionals had called FTB 22,714 times and sent 1,402 faxes. The total is an increase of almost 1,000 over the calls and faxes received last year.

During the same period, FTB's Taxpayer Services Center took more than 710,000 calls from taxpayers. Another 2.1 million tax-related calls came into FTB's automated telephone service. The automated service received an additional 83,000-plus calls related to non-tax matters such as court-ordered debt collection.

User sessions on FTB's Internet Web site this year hit nearly 323,000. And more than 475,000 forms were downloaded from the Web site.

For more detailed information, see box on page 2.

Not at All Like Pulling Teeth

At the Franchise Tax Board, "Extractions" is where tax returns and other documents are extracted from their envelopes and prepared for processing.

Inside ...

Tax News

Volume 97-3 May 1997

TAX NEWS is a bimonthly publication of the Taxpayer Advocate 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.

To update or correct your address or to subscribe to TAX NEWS (send $12 for a one-year subscription), write:
TAX NEWS
P.O. Box 520
Rancho Cordova, CA 95741-0520
or call: (916) 845-7070.

For information about California tax law and/or a client's account, contact:
Tax Practitioner Support Unit
(916) 845-7057 (phone)
(916) 845-6377 (fax)

For recorded answers to questions on California taxes, to order forms or check on a refund, call:
F.A.S.T. (800) 338-0505
From outside U.S. (916) 845-6600

Information Center:
(800) 852-5711
From outside U.S. (916) 845-6500

Hearing Impaired:
TDD (800) 822-6268

FTB on the Internet
http://www.ftb.ca.gov

Printed on recycled paper.

Withholding Amounts Must Match

What happens when a tax return shows that $2,400 in state taxes was withheld from an employee's wages, but the corresponding W-2 form issued by the employer shows that the amount was considerably less?

The first thing that happens is that the Franchise Tax Board is alerted to the discrepancy by its new automated withholding verification process. Starting this year, withholding amounts are verified on-line through an automated information exchange between FTB and the Employment Development Department.

If the automated system is unable to locate additional W-2 data from other employers for the taxpayer in question, FTB staff will attempt to locate the information through a series of on-line queries. If this approach is not successful, FTB may contact employers. By April 15, 25,335 adjustments had been made to tax returns, and calls had been made to employers in about 5,000 cases:

- In about 60 percent of the cases, the calls produced evidence that the taxpayers' claims were correct.
- In approximately 37 percent of the cases, adjustments were made to the withholding amounts that taxpayers claimed. In these cases, taxpayers received a return information notice (RIN) alerting them that their withholding claim was modified. The RIN also stated either that an anticipated refund had been reduced or that a balance was now due.
- The remaining cases were referred to FTB's Fraud Prevention and Detection Unit, which is investigating the discrepancies further.

Five former EDD employees are assisting FTB in contacting employees. Their expertise contributed to a high-speed resolution of issues.

FTB's new verification system also is helping reduce the number of withholding claims that are disallowed because taxpayers fail to provide copies of their

CONTINUED ON PAGE 13

Keeping in Touch with FTB

January 2 - April 15, 1997

22,714	**Calls from tax practitioners**
1,402	**Faxes from tax practitioners**
710,076	**Calls from taxpayers answered by the Taxpayer Services Center**
2,169,004	**Tax-related calls to FTB's automated telephone service**
322,891	**User sessions on FTB's Internet Web site**
475,359	**Forms downloaded from FTB's Internet Web site**

Withholding Verification

January 2 - April 15, 1997

25,335	**Returns on which withholding amount was adjusted**
5,000	**Number of contacts with employers to verify withholding amounts**
200	**Number of cases referred to fraud prevention unit**

Tax Talk Is October 7

Mark your calendar for Tuesday, October 7. That's the date of the 1997 version of Tax Talk, the all-day seminar telecast to more than 20 locations in California, Nevada and Oregon.

Tax Talk offers up-to-date tax information from experts representing the federal and three California tax authorities. The seminar is a program of the Center for Tax Education presented by the California Franchise Tax Board, Employment Development Department, State Board of Equalization, Internal Revenue Service and the School of Business Administration, California State University, Sacramento.

Tax practitioners who attend the full program can earn up to eight hours of credit toward the continuing education requirements of the California State Board of Accountancy; the California Tax Education Council, which will replace the Department of Consumer Affairs' Tax Preparer Program in July; and, for enrolled agents, the Internal Revenue Service.

Topics for this year's seminar include general partnerships, employer and taxpayer penalties, factors that affect employers' unemployment insurance rates, statutory wages, trusts and sales tax exemptions and misconceptions, as well as a series of "hot issue" and field reports.

Watch upcoming issues of Tax News for details on the topics, plus locations and other Tax Talk information.□

California's Tax Filing Season

January 2 - April 15, 1997

(Watch for an update in the July Tax News)

Returns processed:	
Paper	4,606,700
Scannable	2,848,992
Electronically filed	355,877
Telefiled	218,955
Total	**8,030,524**
Electronic funds transfers:	
Amount	$867,222,953
Volume	5,774
Amount deposited:	
Personal income taxes	$2,996,919,000
Bank and corporation taxes	$522,751,431
Partnership taxes	$29,410,441
Total	**$3,549,080,872**
Largest daily deposit:	
Personal income taxes — April 15	$231,499,716
Bank and corporation taxes (includes electronic funds transfers) — March 18	$335,708,357
Refunds:	
Total amount	$1,349,442,374
Average amount	$343
Volume	3,930,183

More Taxpayers Punch in the Numbers

Telefiled tax returns are up more than 2200 percent over 1996.

The dramatic increase in phoned-in California tax returns is misleading, however, because about 1.6 million taxpayers were eligible to participate this year, while only 100,000 were invited to take part in the program last year.

By April 15, almost 219,000 California taxpayers had telefiled their tax returns to the Franchise Tax Board. This is almost 14 percent of the number eligible to participate. Last year, 10 percent of the invited participants had filed by April 15.□

1997 Electronic Filing Calendar

For tax practitioners filing California tax returns electronically, two significant dates remain on the calendar:

October 15:
Last day to file an electronic return.

October 18:
Last day to retransmit a rejected return.☐

Your Clients Can File Electronically

...from Your Place

Do you offer your clients the option of filing their tax returns with electronic-age speed?

A growing number of taxpayers statewide are choosing to file their 1996 tax returns electronically. By April 15, 355,877 individuals had filed electronically. This is an increase of 82 percent over last year's total of 195,524 in the same time period.

As an electronic return originator (ERO), the person producing returns that are transmitted electronically, you will want to know the telephone number for the Electronic Filing Help Desk. You can call the Help Desk at (916) 845-0353 to obtain a list of the 105 electronic return software developers and/or transmitters that are part of the California program.

Call the Help Desk, too, to request a diskette copy of FTB Publication 1345, "Electronic Filing Handbook, File Specifications and Record Layouts for State of California Individual Income Tax Returns." You also will find the publication on FTB's Internet home page, located at *http://www.ftb.ca.gov*, and on the Internal Revenue Service Bulletin Board, which you can access by modem at (606) 292-0137.

Publication 1345 provides information on, among other things, ways to avoid having to refile your electronic returns because of errors. For example, the publication cautions EROs to make sure that:

- Your electronic filing identification number (EFIN) is valid and authorized by FTB. You receive the EFIN from the IRS, but you must use it when you apply to be accepted into California's electronic filing program. The application is form FTB 8633, "California Application to Participate in the Electronic Filing Program."
- The fields on a record are not longer than the California Record Layouts

CONTINUED ON PAGE 5

...or Theirs

This year, for the first time, the Franchise Tax Board accepted tax returns that taxpayers filed electronically from their personal computers via a third-party transmitter.

California's new Transmitter and On-Line Service (TROLS) opens the electronic door for more of your technology-oriented clients as well as for taxpayers who prepare their own returns. Your clients may want to transfer the information on the paper returns that you prepare to their software and transmit from their home computers instead of mailing the returns to FTB. They also may like taking advantage of electronic filing for the quick refunds it provides. However, the TROLS program is not limited to refund returns.

This year, one software developer, Nelco, Inc., is participating in the TROLS program. Your clients can download the software for Forms 540A and 540EZ from Nelco's Internet Web site at no charge. Then, after their returns are completed, your clients can transmit them by modem to Nelco, which in turn transmits them to FTB's electronic filing system. Nelco's transmission fee is $4.95. Finally, the clients mail the required signature documents and W-2s to FTB.

No taxpayer information moves over the Internet because the TROLS program operates apart from that international computer network.

FTB staff members expect the TROLS pilot program to draw very few 1996 returns but to expand next year in proportion to the number of software developers that participate. The Internal Revenue Service started its electronic file-from-home program, called OLS filing, in 1994. Last year, California taxpayers filed almost 20,000 of the 160,000 OLS returns that the IRS received.

For more information on filing from a home computer in California, contact Nelco at its *http://www.nelcoinc.com* Internet address.☐

Electronic Funds Transfers Open to Employers with Withholding Orders

The Franchise Tax Board will open its electronic funds transfer program to new participants.

In a pilot program that begins in August 1997, FTB will allow employers to remit by electronic funds transfer any amounts they are withholding from employee earnings for delinquent personal income tax, child support and vehicle registration payments.

FTB expects six to 10 employers and payroll services representing many more employers to participate in the pilot program this year.

In addition to the pilot program, FTB operates electronic funds transfer programs for certain categories of taxpayers. Starting in March 1997, taxpayers who have FTB approval to pay delinquent taxes in installments are asked to make the payments by electronic funds transfer. Through the program, funds are transferred directly from the taxpayer's bank account to the state's. The affected taxpayers do not have to write monthly checks and are assured that the payments will be made on time even if the taxpayers are out of town on the due dates.

Also, bank and corporation taxpayers must make electronic funds transfers when any single estimated tax or extension payment exceeds $20,000 or the taxpayer's total tax liability exceeds $80,000 (see the January 1995 issue of Tax News).

In addition, bank and corporation taxpayers are allowed to remit tax withheld at source payments and nonadmitted insurance tax payments by electronic funds transfer (see the January 1996 issue of Tax News).☐

Your Clients Can File Electronically

CONTINUED FROM PAGE 4

specify. Watch particularly the zip code field. The IRS accepts a 12 character field. FTB accepts only nine characters.

- Withholding amounts equal the withholding totals listed on all Forms W-2. Publication 1345 provides information on the correct way to determine withholding amounts.
- State wages equal the total of all W-2 "State Wages 1" and "State Wages 2," unless the W-2 "Statutory Employee Indicator" is significant.

As an ERO, also remember to retain form FTB 8453, "California Individual Income Tax Declaration for Electronic Filing," in your office for at least four years from the due date of the return. Do not send the form to FTB.☐

Electronic Filing: Two-Year Review

	1995 tax year (as of April 15)	**1996 tax year** (as of April 15)	**Change**
Returns processed:	195,524	355,877	82%
Electronic return originators (EROs) approved by FTB to produce the returns transmitted:	4,203	5,666	35%
EROs who filed:	2,700	3,360	24%
Transmitters accepted by FTB:	71	106	48%
Transmitters who participated:	60	97	62%
Balance due filers:	9,789	28,696	193%
Help Desk phone calls answered:	6,532	4,836	(26)%

FTB Calendar

May

- Head of household filing status letters mailed.
- Delinquent 1995 tax returns requested.
- Notices of Proposed Assessment mailed to persons failing to comply with requests, issued in prior months, for 1995 tax returns.

1 Notices of Proposed Assessment mailed to corporations that failed to comply with requests, issued in prior months, for 1994 tax returns.

15 Homeowner/Renter Assistance filing season begins.

20 Previous month withholding at source payments due if total withholding exceeded $2,500.

June

16 Personal income tax estimate payments due.

20 See May 20.

July

20 See May 20.

August

- Notices of Proposed Assessment sent to taxpayers who do not appear to qualify for head of household filing status.

20 See May 20.

31 Final filing date for Homeowner/Renter Assistance claims.☐

Head of Household Status Examined Sooner

For the first time, tax returns filed by taxpayers claiming the head of household filing status are being examined during the year they are processed.

The early examination will help taxpayers determine their correct filing status without delay and avoid the surprise of costly tax bills in the future.

As a result of the filing status examination, the Franchise Tax Board will begin mailing more than 400,000 letters this month requesting taxpayers to provide information to verify their use of the filing status. Taxpayers who do not qualify to use the head of household filing status, do not provide enough information in response to the letter or do not respond to the letter at all will receive a Notice of Proposed Assessment (NPA). NPAs, which will be issued beginning in August 1997, will change the taxpayer's filing status to either single or married filing separate and assess additional tax. Taxpayers who do not respond to the NPAs will also be subject to a penalty of 25 percent of the additional tax for failing to furnish information.

If FTB determines that a taxpayer qualifies to use the head of household filing status, the agency sends a letter confirming that there will be no change in the filing status for tax year 1996. However, the return may be examined again if FTB receives additional information.☐

More Tax Laws Proposed

The California Legislature continues to consider a variety of new tax law proposals. Among the topics (see articles below and on page 10 as well as the March 1997 issue of Tax News for more tax proposals) are:

Business income. AB 1271 (Papan) would provide that a corporation whose only presence in California is stored inventory in a warehouse and is otherwise immune would be exempt from state income tax.

Capital gain. AB 253 (Takasugi) would increase the basis of a capital asset acquired on or after January 1, 1978, for purposes of determining gain from its disposition.

SB 569 (Lewis) would increase, for purposes of determining capital gain, the adjusted basis of real property, held as a capital asset.

Child support. AB 573 (Kuehl) would, among other things, require district attorneys to refer to the Franchise Tax Board for collection all child support delinquencies that are more than 60 days old. It also would allow district attorneys to refer current cases to FTB. Existing law provides for voluntary referrals of delinquent cases only. At least 20 days prior to collection action, FTB would have to mail a statement requesting payment to the obligated parent at the last known address. The bill would require businesses that must report payments for personal services (independent contractors) to the IRS to accelerate the reporting by registering with the Employment Development Department when the contract is executed. If enacted, this bill would become operative only if AB 1395 (see page 7) is operative.

SB 247 (Lockyer) is a similar bill. However, it would provide that district attorneys must refer to FTB all child support delinquencies that are more than 90 days old. Like AB 573, it would require businesses that must report annually to the IRS payments to independent contractors to register with

CONTINUED ON PAGE 7

Proposed Laws: Conformity Is the Theme

A number of proposals before the Legislature seek to conform California law to federal (see articles below and on page 10 as well as the March 1997 issue of Tax News for more tax proposals):

Alternative minimum tax. AB 265 (Battin) would conform state to federal law by no longer treating unrealized appreciation on donated capital gain property as an alternative minimum tax preference item.

Capital stock. SB 1300 (Calderon) would conform to the federal provision that allows the full fair market value as a deduction for contributions of publicly traded capital stock to private foundations.

Club membership. AB 1291 (Strom-Martin) would conform to the federal rule that no deduction is allowed for the cost of membership in any club organized for business, pleasure, recreation or other social purpose. For publicly-held corporations, the bill generally would limit the deduction of the top five executives' compensation to $1 million per executive.

Internal Revenue Code. SB 455 (Alpert) and AB 1044 (Revenue & Taxation Committee) would provide that unless otherwise specifically noted, the personal income tax law for taxable years beginning on or after January 1, 1997, conforms to the Internal Revenue Code as it read on January 1, 1997. Currently, the personal income tax law conforms, apart from specified exceptions, to the IRC as it read on January 1, 1993.

Investment trusts. AB 1417 (Campbell) would conform California to the 1996

CONTINUED ON PAGE 7

More Tax Laws Proposed

CONTINUED FROM PAGE 6

EDD when the contract is executed or payments first exceed $600.

AB 1395 (Escutia) would provide that FTB must not reject child support cases with tax liabilities and must accept referrals of cases if the debtors' social security numbers are missing. It also states that enforcement of child support payments has priority over enforcement of tax liability payments. If enacted, this bill would become operative only if AB 573 (see page 6) is operative.

Corporate dividends. AB 400 (Peace) would require FTB and the Department of Finance to recommend ways to eliminate or ameliorate the effects of double taxation of corporate dividends.

Deductions. AB 1364 (Wayne) would disallow the deduction of advertising expenses for cigarettes or any other tobacco product in computing business income.

Depreciation. AB 613 (Margett) would allow employers of telecommuting employees to depreciate computers or peripheral equipment over 24 months instead of over five years.

Disaster losses. SB 1X and 1249 (Leslie) would revise loss provisions in disaster areas declared by the President and specially identified by state law. It would allow a taxpayer to elect to have the casualty loss equal 60 percent of the replacement cost of the property lost, remove the requirement that the decline in fair market value be supported by a competent appraisal and allow a taxpayer's sworn testimony to be the sole support for the deduction.

Disclosure. SB 458 (Peace) would prohibit all state agencies from sending correspondence that contains in plain view personal information such as social security, telephone and credit card numbers.

AB 701 (Caldera) would add charter cities to the list of agencies to which FTB can disclose confidential tax information.

Economic development. AB 638 (Alby) would require the Trade and Commerce Agency to designate, as a pilot project, a portion of McClellan Air Force Base as a Military Services Privatization Zone (MSPZ).

CONTINUED ON PAGE 8

Proposed Laws: Conformity Is the Theme

CONTINUED FROM PAGE 6

federally enacted financial asset securitization investment trust (FASIT) provisions. A FASIT is similar to a real estate investment trust and acts as a conduit entity.

Leasehold improvements. AB 1155 (Shelley) would conform state law to recently enacted federal law concerning the gain or loss of a lessor on the disposal or abandonment of leasehold improvements.

Net operating loss. AB 724 (Lempert) would conform state treatment of a net operating loss to federal law by incrementally increasing the current 50 percent carryover to 100 percent. For taxable and income years beginning on or after January 1, 1998, it also would permit the allowable NOL to be carried forward for 15 years.

Research. AB 1067 (Cunneen) and AB 1499 (Caldera) would conform state law to new federal law allowing taxpayers to elect an alternative incremental method to compute qualified research expenditures for the research credit.

S corporations. AB 203 (Takasugi) and AB 1039 (Revenue and Taxation Committee) would substantially conform state law to federal S corporation law. See coverage of SB 5 (Lockyer) in the March 1997 Tax News; the bill addresses the same and additional S corporation issues.

Subpoenas. SB 1045 (Vasconcellos) would conform to recently enacted federal law by adding enrolled agents to the definition of third-party record-keepers that FTB may subpoena for information.☐

Where to Get Copy of Legislative Bill

Do you want more information on one of the legislative measures covered in this issue? If so, you can obtain a copy of any bill from:

Legislative Bill Room
Room B-32
State Capitol
Sacramento, CA 95814
(916) 445-2323☐

Need a Package X?

Do you need a 1996 Package X?

To obtain a Package X order form, call (916) 845-7070. You may order a loose-leaf or bound book version of the Package X for $12. The CD-ROM version costs $19.

As of April 15, tax professionals ordered 31,203 book versions of the Package X and 6,196 CD-ROM versions.☐

Renew Tax News Subscription

Keep Tax News coming.

You will receive a Tax News renewal form when your subscription to the newsletter is about to run out.

Be sure to return the renewal form immediately so that you will not miss any upcoming issues.☐

More Tax Laws Proposed

CONTINUED FROM PAGE 7

AB 809 (Escutia) would require the Trade and Commerce Agency to designate for a 15-year period five Industrial, Manufacturing, Construction and Goods Movement Incentives Zones in proximity to areas designated as "intermodal corridors" of economic significance.

AB 797 (Takasugi) would require, among other things, an enterprise zone governing body to provide information that the Trade and Commerce Agency requests to prepare zone reports for the Legislature.

SB 200 (Kelley) would authorize, under certain conditions, an unspecified number of new enterprise zones requested by the governing boards of cities.

SB 635 (Knight) would require the Trade and Commerce Agency to designate one additional enterprise zone from a city that meets specified criteria.

AB 82 (Villaraigosa) would extend through 2002 the operative date of the various credits and other tax benefits available to taxpayers in the Los Angeles Revitalization Zone.

Exclusions. AB 364 (Baca) would, among other things, exclude from a debtor's income the amount of any discharge or cancellation of indebtedness under the Forgivable Loan Program of the California State University.

AB 454 (Morrissey) would exclude the gain from the sale or exchange of a taxpayer’s principal residence to the extent that the gain exceeds the original cost basis, adjusted for inflation.

AB 1413 (Papan) would exempt all state and federal chartered credit unions from taxes, except for real property taxes, local utility and telephone user surcharges, state energy resources surcharges, motor vehicle and vehicle registration license fees and any other tax imposed by the state on motor vehicles or their operation.

AB 1494 (Olberg) would exclude from taxation all income of a resident whose total household income is more than half derived from wages and is below the federal poverty line.

Federal tax collections. SB 1178 (Mountjoy) would require individuals liable for any federal excise, income or consumer tax to remit it on time to FTB. The state would transfer the funds to the Internal Revenue Service except under specified conditions.

Filing enforcement. SB 1103 (Revenue and Taxation Committee) would allow additional taxes due to the underreporting of wages to be assessed as a mathematical error appearing on the return, except that the taxpayer could have protest and appeal rights.

AB 1166 (Hurtt) would repeal current law that provides for a penalty for taxpayers who fail or refuse to furnish any information requested in writing or who fail to file a return after being asked to do so.

SB 951 (Johnson) would provide that designated FTB employees are peace officers and could, under certain conditions, carry firearms.

Homeowners/renters assistance. SB 1107 (Revenue and Taxation Committee) would revise the current test for qualifying under the Property Tax Postponement Program run by the Controller.

Interest. AB 1192 (Takasugi) would provide that, for purposes of determining the applicable date of the increased interest rate for C corporations with an tax underpayment exceeding $100,000, each deficiency would be treated separately.

Minimum franchise tax. SB 842 (Hayden) would exempt all banks and corporations incorporating after January 1, 1997, from the minimum franchise tax for income years beginning after January 1, 1997, and before January 1, 1998.

AB 1419 (Campbell) would reduce the minimum franchise tax from $800 to $100, beginning on or after January 1, 1997.

SB 890 (O'Connell) would exempt new corporations, as defined, from the $800 minimum tax.

CONTINUED ON PAGE 9

More Tax Laws Proposed

CONTINUED FROM PAGE 8

Partnerships. AB 510 (Ashburn), AB 601 (Davis) and AB 1520 (Vincent) would give FTB authority to determine the manner and extent that information would be included in a partnership's or limited liability company's informational or tax return.

Returns. AB 1218 (Bustamante) would add information returns for the cancellation of indebtedness by certain financial entities to the list of federal information returns that taxpayers may be required to file with FTB.

Self-employed deduction. AB 230 (Runner) would increase, over a period of years and up to a maximum of 80 percent, the existing deduction of 25 percent of a self-employed individual's cost for medical insurance.

AB 305 (Wayne) would increase the same deduction from 25 to 100 percent.

Tax rates. AB 479 (Pringle) would decrease the franchise, income and alternative minimum tax rates for general corporations.

AB 511 (Caldera) would create the Financial Aid to Local Agencies Fund. All taxes attributable to the excess of the bank tax rate over the general corporation tax rate would be transferred to the fund.

AB 643 (Baldwin) would provide a 10 percent reduction in personal income tax rates, phased in at 5 percent a year for two years.

SB 1165 (Hurtt) would reduce personal income tax rates by 15, 10 or 5 percent depending on the amount of taxable income.

AB 781 (Sweeney) would reinstate the top two tax rate brackets for individuals with taxable income in excess of specified amounts.

SB 83 (McPherson), covered in the March 1997 issue of Tax News, has been amended. The bill now would delete the lowest income tax bracket of 1 percent and revise the remaining brackets resulting in a tax decrease for all filing statuses. The amendment deleted a tax credit for low-income individuals based on one's adjusted gross income and filing status.

Taxpayers' Bill of Rights. AB 713 (Caldera) would conform parts of the state Taxpayers' Bill of Rights to the federal version. Among other things, the revisions would include extending from 10 to 15 days the interest-free period after a notice and demand for payment is issued and expanding the definition of a third-party record-keeper to include an enrolled agent.

Voluntary contributions. SB 39 (Johannessen) would appropriate designated contributions collected by FTB, less related costs, to the beneficiaries of two funds, the California Military Museum Fund and the Drug Abuse Resistance Education (D.A.R.E.) California Fund, to which taxpayers may contribute on their personal income tax returns.

SB 532 (Solis) would extend the sunset date of the California Firefighters Memorial Fund voluntary contribution from January 1, 1999, to January 1, 2001.

SB 602 (Alpert) would allocate contributions to the California Breast Cancer Research Fund directly to the University of California for support of the Breast Cancer Research Program.

SB 717 (Karnette) would reinstate voluntary contributions to the California Election Campaign Fund for taxable years beginning on or after January 1, 1997, and before January 1, 2002.

Water's-edge. AB 1469 (Ducheny) would allow FTB to perfect water's-edge elections invalidated because of a prior act or omission by the taxpayer's affiliate that is not the taxpayer's parent or subsidiary and that was included in the taxpayer's combined report.

AB 1488 (Pringle) would grant a water's-edge election for the 1988 income year to a taxpayer that filed a timely California 1988 tax return, included evidence that the taxpayer and taxpayers of the group for any part of 1988 intended to make a water's-edge election, paid all taxes and amounts other than the election fee on time and unintentionally failed to attach a water's-edge contract to the tax return.□

Court Decisions

Muething v. Franchise Tax Board, (1997) 52 Cal.App. 4th 275. Small business stock characterization does not attach or carry through to stock acquired in exchange for stock that qualified as small business stock. In addition, the gain inherent in the small business stock at the time of the exchange does not qualify for special preferential treatment as small business stock.

Anand G. Garg, et al. v. The People ex rel. State Board of Equalization, (1997) 53 Cal.App.4th 199. The California Constitution, Section 32, Article XIII, requires that all tax, penalties and interest be paid before the courts have jurisdiction to determine the validity of a tax assessed by the state.□

Call New Number for Tax/Client Information

The Tax Practitioner Support Unit has a new telephone number.

As part of the Franchise Tax Board's effort to increase access and provide better service to tax practitioners, the Support Unit changed from an outside to an internal telephone prefix, which can handle more calls.

To phone the Support Unit, which includes the Tax Practitioner Hotline, call (916) 845-7057. Unit staff can respond to calls about both tax matters and client accounts. (The last issue of Tax News reported an incorrect telephone number for the unit.)

The Support Unit also can be reached by fax at (916) 845-6377.□

Proposed Laws Zero in on Credits

"Tax credit" is the common link among a number of bills currently under consideration by the California Legislature.

Here are some highlights of tax credit legislation proposed by members of the Assembly and Senate (see two additional articles on page 6 as well as the March 1997 issue of Tax News for more tax proposals):

Adoption. AB 119 (Runner) would allow up to a $1,000 credit for certain adoption costs for a qualified child.

Agriculture. AB 196 (Thomson) would provide a credit of 20 percent of the cost of agricultural products donated under the Food and Agricultural Code.

AB 1513 (Cardoza) would provide a credit equal to $30 a ton for agricultural prunings that a grower delivers to a biomass conversion facility.

At-risk youth. AB 741 (Washington) would provide a credit equal to one-third of the wages paid or incurred to a qualified "at-risk youth," which the legislation defines. The credit would be limited to $5,000 per qualified youth.

Blind employees. SB 246 (Hughes) would create a tax credit based on wages paid to blind or visually impaired employees during their first 24 months of employment and for any work-related expenses for reasonable accommodation.

Care provider. AB 302 (Runner) would allow a $2,000 credit for taxpayers providing care for individuals receiving public assistance.

AB 642 (Baldwin) would extend the sunset dates in the Child Care Program Credit and the Child Care Contribution Credit from January 1, 1998, to January 1, 2003.

Carryovers. AB 1530 (Poochigian) would in all cases allow the aggregate amount of credits that exceed the "net tax" or "tax" limitation to be carried forward until exhausted.

Child care. AB 484 (Havice) would indefinitely extend the sunset dates of the child care program credit and the child care contribution credit and increase the maximum amount of the contribution credit from $360 to $600 for each qualified dependent.

Dependent care. AB 258 (Floyd) would allow a credit for dependent care services necessary for gainful employment. The amount of the credit would vary according to the taxpayer's adjusted gross income (AGI).

Dependent child. AB 215 (Baldwin) would give qualified taxpayers a tax credit of $500 for each dependent child under the age of 13 years.

Donations. AB 1149 (Lempert) would allow three separate credits for donations to California community colleges. Donations could be qualified property, a facility or money to maintain the facility.

Earned income. AB 470 (Ducheny) would allow a credit under the personal income tax law equal to 15 percent of the federal earned income credit.

SB 43 (Solis) would allow a refundable credit of 15 percent of the federal earned income tax credit, under specified conditions.

Education. AB 1441 (Wayne) would provide a credit equal to the expenses, paid or incurred during the taxable year and not to exceed $500, of the taxpayer or taxpayer's dependent for attending a California community college.

Employees. AB 1232 (Granlund) and SB 1167 (Hurtt) would reinstate a credit for the first $3,000 of wages paid to employees that the Employment Development Department certifies as meeting the requirements of Unemployment Insurance Code Section 328. AB 1232 would increase the credit from 10 to 15 percent.

Energy. AB 873 (Takasugi) would create two new credits. One is a credit equal to 40 percent of the cost of certain energy conservation measures for single-family dwellings and 20 percent for other

Continued on page 11

Proposed Laws Zero in on Credits

CONTINUED FROM PAGE 10

dwellings. The second, a solar energy credit, would be 10 percent of the cost of a solar energy system installed on any facility other than a single-family dwelling.

SB 116 (Peace) would create a 25 percent credit, not to exceed $1,000 per system, for the cost of solar energy systems installed in California within a specified period.

SB 1216 (Costa) would create a credit equal to one and one-half cents for each kilowatt hour of energy produced by a biomass energy production facility in California.

Environmental quality expenses. SB 649 (Mountjoy) would provide a credit equal to 10 percent of the amount paid or incurred for certain defined "environmental quality expenses."

Exemptions. AB 702 (Villaraigosa) would require taxpayers to include on their tax returns the social security number of each dependent for whom an exemption credit is taken. The bill also would provide a new means of tracking the financial status of persons delinquent in making child support payments.

Farm worker housing. SB 302 (Costa) would increase from $500,000 to $5 million, plus any unused credit from prior years, the annual aggregate amount that can be allocated for farm worker housing credits.

Food service property. SB 276 (McPherson) would provide a tax credit, similar to the manufacturers' investment credit, equal to 6 percent of the amount paid or incurred for constructing, reconstructing or acquiring qualified property for certain eating places.

Jury service. AB 886 (Morrow) would provide a credit equal to an unspecified percentage of the amount of compensation paid or incurred to an employee while the employee was serving on a trial jury.

Lead abatement. SB 718 (Leslie) would provide a credit, limited to $2,000 per dwelling unit, equal to 50 percent of the cost paid or incurred for the certified completion of qualified voluntary lead abatement activities on qualified rental property.

Levees. AB 1248 (Monteith) would provide a credit equal to 50 percent of the costs paid or incurred for constructing, restoring or rehabilitating levees on private property in California.

Low-income housing. AB 168 (Torlakson) would increase from $35 million to $50 million, plus any unused and returned housing value from previous years, the maximum aggregate housing value on which the low-income housing credit can be computed in any one year.

AB 678 (Aguiar) would make technical changes to the state low-income housing credit.

Low-income taxpayers. Both AB 654 and 1261 (Martinez) would provide a tax credit for taxpayers made ineligible for state supplemental program benefits due to the federal law that makes "qualified aliens," as defined, ineligible for supplemental security income.

AB 1461 (Olberg) would provide a credit for low-income taxpayers equal to a specified percentage of the taxpayer's net tax. The percentage would decrease from 100 percent to zero as the taxpayer's adjusted gross income increased.

SB 1154 (Solis) would establish individual development accounts (IDAs) available to recipients of Aid to Families with Dependent Children. IDAs would be similar to individual retirement accounts but would pay such costs as education tuition, a new home purchase or a new business start-up.

Manufacturers' investment. AB 539 (Firestone) would modify the definition of "qualified taxpayer" for purposes of the manufacturers' investment credit (MIC) to include affiliated corporations that file a single combined report if one or more of the affiliates is a qualified taxpayer.

CONTINUED ON PAGE 12

Partnerships: A Paperless Way to File

Partnerships now have a new opportunity to avoid creating a paper mountain when they file required forms.

Last year, the Franchise Tax Board received more than 850,000 Schedule K-1s in non-paper formats such as diskettes or magnetic media. This year, partnerships participating in an FTB pilot program may file their Schedule K-1s (565) by electronic data interchange (EDI). The method is a form of electronic filing based on national standards.

With the EDI program, partnerships file using a Value Added Network (VAN), called Tax Connect. The VAN collects, stores and electronically forwards the Schedule K-1 data to FTB.

EDI's advantages are that:

- Schedule K-1 filing is paperless, although a paper Form 565 must be filed.
- It leads to greater accuracy because information from the partnership's K-1 forms does not have to be manually transferred to FTB computers.
- The partnership receives a quick acknowledgment that each transmission has been accepted or that the information is incorrect or incomplete and must be revised.

If you have questions about the EDI process or pilot program, call (916) 845-4194.□

FTB Notice Addresses Combined Reporting Issue

The Franchise Tax Board plans to propose regulations concerning the combined report.

One of the issues that will be addressed in the regulations is a distribution in excess of basis. This occurs when a subsidiary transfers to the parent company cash or other property that is in excess of the subsidiary's current or accumulated earnings and profits and the parent's basis in the subsidiary's stock.

FTB Notice 97-2 informs taxpayers that, if adopted, the regulations would result in treatment that is similar to the federal approach. Under federal treatment of a distribution between members of a consolidated return group, the income is deferred by being placed in an excess loss account. The state regulations, under Revenue and Taxation Code Section 25106.5, would apply to distributions that occur after the regulations are adopted.

The notice also informs taxpayers that, until a new regulation is adopted, taxpayers may be eligible to defer the income from individual distributions for any year open to the statute of limitations by executing a closing agreement. The notice provides instructions for requesting the agreement.

Notice 97-2 was issued on February 21, 1997. It has been published by most tax services.☐

Proposed Laws Zero in on Credits

CONTINUED FROM PAGE 11

SB 519 (Alpert) would expand the definitions of "small business" for purposes of the MIC and "new business" for purposes of the net operating loss. Both would include a qualified taxpayer engaged in activities involved in manufacturing certain laboratory analytical instruments, measuring and controlling devices and various surgical, medical and dental instruments and supplies.

AB 138 (Poochigian) would expand the MIC to include certain qualified agricultural taxpayers and property. It would extend carry-forward years for agricultural businesses and agricultural small businesses.

AB 648 (Kaloogian) would extend the MIC carry-forward provision indefinitely.

AB 706 (Ackerman) would provide that MIC recapture provisions do not apply to transactions in which a purchasing corporation elects to treat an acquisition of the target corporation as a purchase of the assets or to transactions in which a distributing corporation distributes stock or securities of a controlled corporation to shareholders or security holders, if the qualified property is not removed from California or put to a nonqualified use as a result of the transaction.

AB 1062 (Battin) would increase from 6 to 8 percent the percentage of costs eligible for the MIC.

AB 2063 (Lempert) would, among other things, expand the definition of "qualified taxpayer" in the MIC to include taxpayers engaged in specified activities related to computer programming services or computer software design or development.

SB 855 (McPherson) would allow certain taxpayers to claim a sales or use tax refund instead of the MIC.

Public transit passes. AB 171 (Cunneen) would create a tax credit for employers equal to 40 percent of the costs that an employer pays or incurs for providing subsidized public transit passes to employees.

Research. AB 1356 (Figueroa) would increase the expenses that may qualify for the research and development credit.

Salmon and steelhead trout habitat. SB 301 (Sher) would extend the sunset date for the salmon and steelhead trout habitat credit and increase the allocated amount to $2 million.

School computers. AB 372 (Battin) would allow varying credit amounts for computers donated for use in public or private nonprofit schools operating any grades from kindergarten through college.

Small businesses. SB 1162 (Brulte) would provide a credit to small businesses that provide health coverage to employees and their dependents and supplemental benefit coverage for prenatal and well-baby care and mental health benefits.

Sunsets. AB 559 (Villaraigosa) would provide that all tax credits automatically sunset on their fourth anniversaries. A sunset may be extended by a new law after a study of the credits' effectiveness is completed.

Teacher expenses. AB 336 (Miller) would allow public school teachers a credit equal to the unreimbursed qualifying classroom educational expenses they pay or incur.

Trainees. SB 639 (Burton) would provide a credit equal to 50 percent of the qualified wages paid or incurred to a certified trainee during the first 18 months of employment.

Vehicles. SB 1096 (Brulte) would create two credits. A qualified refueling property credit would be equal to the aggregate costs paid or incurred, not to exceed $300,000 per site, for construction, reconstruction or acquisition of a qualified refueling property. A qualified vehicle credit would be equal to an unspecified percentage of the differential cost paid or incurred for the purchase of a new qualified vehicle or the repower of a vehicle making it a qualified vehicle meeting specified air standards.

AB 1275 (Haynes) would provide a credit equal to 30 percent of the amount paid or incurred for the purchase or lease of any smokemeter that meets Health and Safety Code accuracy standards.

CONTINUED ON PAGE 13

Make a Date with Tax Practitioners' Institute

The Tax Practitioners' Institute will offer its three-day 1997 education program for tax practitioners at eight locations in November and December.

Tax practitioners who attend the Institute programs can earn up to 24 hours of continuing professional education credits toward satisfying the requirements of the California State Board of Accountancy; the California Tax Education Council, which replaces the Department of Consumer Affairs' Tax Preparer Program in July; and, for enrolled agents, the Internal Revenue Service.

For enrollment, registration fee and other information, call the telephone number listed in the article at right for the Institute site nearest you.

Institute sponsors are California State University, Chico, Fresno, Hayward and Sacramento; Humboldt State University; University of California, Santa Cruz; the Franchise Tax Board and the Internal Revenue Service.☐

Withholding Amounts Must Match

CONTINUED FROM PAGE 2

W-2 forms. The on-line checking of tax return withholding amounts against EDD's reports from employers provided the necessary back-up information. However, taxpayers must continue to attach W-2 forms and other withholding documentation so that their returns are processed efficiently and quickly.

The new system also resulted in a quick resolution of discrepancies resulting from taxpayers' mistaken use of federal withholding amounts on state forms. (See "Withholding Verification Spots Federal Amounts on California Returns," in the March 1997 issue of Tax News.)

The FTB/EDD information exchange that led to the new withholding verification capability is part of a continuing effort to integrate California's personal income tax and employment tax systems. FTB will launch a second phase of the verification process next year when it begins verifying wages in addition to withholding amounts. (See "What Are PIT Wages?" in the January 1997 issue of Tax News.)☐

Credits

CONTINUED FROM PAGE 12

Volunteer services. AB 283 (Floyd) would allow, under specified conditions, a credit for retired persons 65 years of age or older who volunteer services to a California public school.☐

Interest Rates

For the last six months of 1997, the interest rate on under- and over-payments of California income taxes will continue to be 9 percent. The following table lists interest rates since 1986.

Effective date	Rate
1 Jan. 1986 - 30 June 1986	10%
1 July 1986 - 31 Dec. 1986	9%
1 Jan. 1987 - 30 Sept. 1987	8%
1 Oct. 1987 - 31 Dec. 1987	10%
1 Jan. 1988 - 31 Mar. 1988	11%
1 Apr. 1988 - 30 Sept. 1988	10%
1 Oct. 1988 - 30 June 1989	11%
1 July 1989 - 31 Dec. 1989	12%
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%
1 Jan. 1994 - 30 June 1994	7%
1 July 1994 - 31 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%

Tax Practitioners' Institute Travels to Eight Sites

This year's Tax Practitioners' Institute (see article at left) is scheduled for eight locations this year:

Sacramento:
November 3 - 5
(916) 278-6346

Fresno:
November 6 - 8
(209) 278-5663

Sunnyvale:
November 10 -12
(408) 342-0236

Chico:
November 17 - 19
(916) 898-6105

Shell Beach:
November 20 - 22
(408) 342-0236

Oakland:
December 1 - 3
(510) 881-2312

Monterey:
December 4 - 6
(408) 342-0236

Arcata:
December 11-13
(707) 826-3731.☐

Have Speech, Will Travel

Do the members of your professional or community organization understand how the Franchise Tax Board's audit process works? Do they know about offers-in-compromise? Are they up-to-date on electronic filing?

FTB's Speakers' Bureau is the place to look for experts on these topics and other California tax law issues and administrative procedures.

Speakers are available to address professional and community organizations at luncheons or dinners. They also may participate in training sessions that offer continuing education credits and that are free to attendees or for which a charge covers only the use of facilities, speaker travel, refreshments or other costs directly related to the event. Your group may book speakers without charge, but it may have to re-imburse FTB for travel costs.

Most speakers limit their talks to one hour. Among the topics that Speakers' Bureau representatives can address are recent legislation, what's new at FTB, how taxpayers are selected for audits, multistate tax issues, the manufacturers' investment credit, FTB's non-tax debt collection responsibilities, scannable tax forms, exempt organizations and issues relating to unitary tax, economic development area tax, partnerships, nonresidency and real estate.

To increase the likelihood that your group can obtain a speaker for a special event, be sure to call the Speakers' Bureau well in advance. Minimum notice should be four weeks. The number is (916) 845-5257.☐

In Economic Development Areas, Credits Have Their Limits

If some of your clients operate in economic development areas and qualify to take certain credits, make sure they know that the sky is not the limit.

Taxpayers operating in an enterprise zone, a Local Agency Military Base Recovery Area (LAMBRA) or the Los Angeles Revitalization Zone (LARZ) may incur costs that qualify them to take a hiring credit or a sales or use tax credit. However, the "zone tax" limitation and a "net tax" or "tax" limitation on credits put curbs on both of the credits.

- **Zone tax limitation.** This limitation applies separately to each enterprise zone and LAMBRA, as well as the LARZ, in which the taxpayer conducts business. To determine the limitation, first calculate the taxpayer's business income or any losses resulting from business activities in each economic development zone. This is known as "zone business income." Do not include nonbusiness loss or income in the calculation. Then, determine the tax on the total as if the total represented the taxpayer's entire income subject to tax under the California Revenue and Taxation Code. The result is the "zone tax."
- **Net tax/tax limitation.** For taxpayers operating in an enterprise zone, a LAMBRA or the LARZ with taxable or income years beginning on or after January 1, 1993 (or January 1, 1994, for the LARZ general hiring credit), the hiring credit and the sales or use tax credit can offset "net tax" for individual taxpayers or "tax" for corporations (see article on page 15 for definitions) below the tentative minimum tax. However, the credits cannot reduce the alternative minimum tax. Also, the hiring credit or the sales or use tax credit cannot reduce an S corporation's liability for built-in gains tax or the excess net passive income tax.

Compare the sum of the hiring credit, the sales or use tax credit and the credit carryovers from prior years to the zone tax limitation and the net tax/tax limitation. The credit allowed cannot

CONTINUED ON PAGE 15

Determining Zone Credits for Corporations

XYZ, Inc., an S corporation, operates in the Fresno enterprise zone. For its income year ending December 31, 1996, XYZ incurred a net operating loss of $30,000 and qualified for a hiring credit of $15,000 and a sales or use tax credit of $3,000. Both credits are reduced to one-third ($5,000 and $1,000, respectively) because of XYZ's S corporation status. XYZ's accountant completed Worksheet V, Apportionment, in FTB 3805Z, "Enterprise Zone and Program Area Business Booklet," and determined that XYZ's zone apportionment factor is 80 percent. XYZ does not conduct any other business activities in the Fresno enterprise zone.

Because XYZ has no zone income for the 1996 income year and therefore no zone tax, it cannot claim any of the allowed $5,000 hiring credit or $1,000 sales or use tax credit. However, XYZ may carry forward both credits to 1997:

$30,000 operating loss multiplied by the 80 percent zone apportionment factor	**($24,000)**
Zone tax	**0**
Credit	**0**

In Economic Development Areas, Credits Have Their Limits

CONTINUED FROM PAGE 14

exceed the lesser of the zone tax or the net tax/tax. Any portion of the zone credits not allowed due to the applicable limitation may be carried over to future income or taxable years to offset the lesser of the zone tax or net tax/tax.

The limitations are an annual calculation. If the taxpayer is a pass-through entity, the limitations apply not only to the entity, which generates the credit, but also to shareholders, partners or members who claim the credit because they have invested in the entity.

For examples of how the limitations can affect credits for corporations and shareholders, see boxes on page 14 and below.☐

Determining Zone Credits for Shareholders

Shareholder A, a single person, is the 100 percent shareholder of XYZ, Inc. In addition to A's distributive share of pass-through income (a $30,000 net loss, $15,000 hiring credit and $3,000 sales or use tax credit), A also:

- Receives a salary of $100,000 from XYZ. The salary is based on services that A performed for XYZ in the Fresno enterprise zone.
- Has a rental unit located in the Merced enterprise zone that produced net income of $30,000 for the 1996 year.
- Owns 30 percent of QRS, Inc., which operates exclusively in the Fresno enterprise zone and which reported $39,000 in net income for the 1996 year; QRS did not incur any hiring credits or sales or use tax credits for the year.
- Has a $13,000 hiring credit carried over from the 1995 year.

For the 1996 tax year, the maximum credit that A may be allowed is $6,604, which is the zone tax limit. A will still have to compare the zone tax to the net tax limitation; if the net tax limitation is lower than the zone tax, the zone credits will be further limited. In either case, any remaining credit amount can be carried forward to 1997. Below is the calculation of the zone tax:

100 percent distributive share of XYZ $30,000 net loss multiplied by the 80 percent zone apportionment factor	**$ (24,000)**
Wages for services performed in Fresno zone	**100,000**
Rental unit, not in Fresno zone	**0**
30 percent distributive share of QRS $39,000 net income multiplied by the 100 percent zone apportionment factor	**11,700**
Total	**87,700**
Zone tax on $87,700, determined as if the amount represented A's total income for the 1996 tax year	**6,604**
Zone credits applied (prior to comparison to net tax limitation)	**6,604**

Economic Development Areas: Defining the Terms

Make sure your economic development area clients understand certain terms related to credits and their limits (see article on page 14).

Net tax. For the purpose of computing credits for individuals, "net tax" generally means the tax on taxable income plus the tax on lump-sum distributions less both personal exemption credits and certain amounts relating to installment indebtedness. For more information, see the definition of "net tax" in Revenue and Taxation Code (R&TC) Section 17039.

Tax. For the purpose of computing corporate credits, "tax" means the bank and corporation franchise tax, the corporation income tax, the tax on unrelated business taxable income and the tax on S corporations. For more information, see the definition of "tax" in R&TC Section 23036.

Alternative minimum tax. This tax is the difference between tentative minimum tax and the regular tax. For more information, see R&TC Sections 17062 and 23400.

Tentative minimum tax. This is the minimum tax that taxpayers are required to pay each year unless a specific statute allows the taxpayer to pay a lesser amount. For more information, see R&TC Sections 17039, 17062, 23036 and 23400.☐

Have You Moved?

If you have moved recently or plan to move in the near future, be sure to send your new address and telephone number to:

Tax News
P.O. Box 520
Rancho Cordova, CA
95741-0520

Also include the account number that appears above your name and address below.□

Better Now Than Later: 1995 Tax Returns Sought

Your clients' 1996 income tax returns are finished. Your clients have signed, stamped and mailed them. Or they have filed the returns electronically or by phone.

So far, so good. But what about your clients' 1995 or earlier returns? Do you know whether they have been filed?

Once in a while, some taxpayers skip a year. They have a history of filing tax returns on time year after year. And then, out of the blue, they fail to file one year. Often, the failure is due to a major distraction such as a death in the family or a disaster such as a flood or fire. Sometimes, taxpayers owe additional taxes for the first time; they put off filing the return until they simply forget to do so.

Whatever the reason for failing to send in a tax return, the time to file a delinquent return is now. The longer the filing is put off, the more likely the taxpayer will be assessed additional penalties, interest and fees.

Starting in April and continuing into this month, the Franchise Tax Board is contacting more than 100,000 individuals, requesting that they file their delinquent 1995 returns within 30 days. FTB will be sending another 80,000 individuals Notices of Proposed Assessment (NPAs) for failing to comply with requests for a tax return. The assessments come complete with tax, penalties, interest and fees.

If some of your clients receive either the request to file or the NPA, you may be able to save them money by urging them to comply with the tax laws quickly. If they want more information about the NPA, they will find answers to frequently asked questions by calling FTB's automated voice response system at (800) 895-5440.□

Address Service Requested

Tax News
P.O. Box 520
Rancho Cordova, CA 95741-0520

Presorted
First-Class Mail
U.S. Postage Paid
Sacramento, CA
Permit No. 312