

## Year to Appear on Checks

For many years, practitioners have asked Franchise Tax Board to find a way to imprint the tax year on refund checks. This is especially helpful when taxpayers are receiving refunds for amended or delinquent returns.

Unfortunately, this request was a more challenging assignment than it might seem, because most of the warrants issued by the State Controller's Office are generated from the same program with the same check format.

However, after many months of working with the State Controller's staff to "squeeze out" some free space on the data file, FTB is pleased to announce that beginning in 2000, the State Controller's Office will begin putting the tax year of the refund on all checks issued for Personal Income Tax and Business Entity Income Tax refunds.

Just another small step for customer service!

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### PACKAGE X CD

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# Tax News

Volume 99-6 November 1999

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

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## Legislation Broadens FTB's Offer in Compromise Authority

Senate Bill 94, the Taxpayers' Bill of Rights Act of 1999, was signed by the Governor and provides the Franchise Tax Board with the authority to accept a taxpayer's offer to compromise a taxpayer's final tax debt in a manner similar to the Internal Revenue Service.

This legislation added R&TC section 19443 which allows the three-member FTB, itself, upon recommendation by its executive officer and chief counsel, jointly, to compromise a final tax liability involving a reduction in tax in excess of \$7,500.

The legislation also allows FTB's executive officer and chief counsel, jointly or by delegation, to compromise any final liability in which the reduction of tax is \$7,500 or less.

Prior to the new law, FTB was required to file a lawsuit in superior court to accomplish a legally binding reduction of a final tax liability for less than its full value.

To review this bill in its entirety on the Internet, go to the Official California Legislation Information Website located at [www.leginfo.ca.gov](http://www.leginfo.ca.gov).

## FTB to Introduce Smaller, Simpler Tax Form

Next year, more than 3.4 million California taxpayers will receive the smallest, simplest tax form ever offered by the Franchise Tax Board.

The Form 540 2EZ measures only 5.5 by 8.5 inches, comes with its own pre-addressed envelope and calculates tax using special tables that have the standard deduction, personal and dependent exemption credits already built in.

The Form 540 2EZ is aimed at further simplifying the filing process for millions of taxpayers who used Form 540EZ to file their own tax return last year.

FTB will direct mail Form 540 2EZ to eligible California resident taxpayers who meet the following criteria:

- Single and head of household filer with gross income of \$50,000 or less.
- Married filing joint and qualifying widow(er) with gross income of \$100,000 or less.
- Taxpayer's income is only from wages and interest (\$400 or less).
- Filing status is not married filing separate.

- The taxpayer cannot be claimed as a dependent by another taxpayer.
- The taxpayer was under age 65 and not blind on December 31, 1999.
- The taxpayer is qualified to claim 0 – 3 dependents.
- The taxpayer is not claiming itemized deductions.
- The taxpayer has no adjustments to income.
- The taxpayer did not have a 1998 overpayment applied to the 1999 tax year.

### Send Protest Letters For Corporations to New Address

The address to send protest letters regarding an FTB audit assessment on a corporation has changed to:

Protest Control Desk  
Mail Stop D-12  
PO Box 1286  
Rancho Cordova CA  
95741-1286

# FTB Hearing in December

The Franchise Tax Board is holding the annual Taxpayers' Bill of Rights hearing on December 16, 1999.

The purpose of the hearing is to give taxpayers and tax practitioners the opportunity to present proposals that change existing state income tax law, and/or improve FTB publications or the services FTB provides to the public.

FTB will hold the hearing in Room 121, 450 N Street, Sacramento, California, as part of a regular Board meeting.

FTB asks that anyone who plans to make a proposal submit a written statement before the hearing. The statement should include the proposed change and the Revenue and Taxation Code (R&TC) sections that would be affected. Taxpayers can send their statements to:

Taxpayer Advocate Bureau  
PO Box 157  
Rancho Cordova CA  
95741-0157.

The meeting will start at 10 a.m.

## Questions about Nonresident Withholding? New Webpage Puts Help Just a Click Away

If you have clients who make payments to nonresidents of California or if you have nonresident clients who receive income from California sources, check out the new Nonresident Withholding webpage on the Franchise Tax Board website.

To get there, go to [www.ftb.ca.gov](http://www.ftb.ca.gov), click on "Tax Assistance," then click on "Nonresident Withholding."

You can get information about the various nonresident withholding programs administered by FTB, get answers to frequently asked questions, download applicable forms and publications and send email to the FTB Nonresident Withholding Section.

### Withholding Requirements

Your California clients who make payments to nonresidents are required to withhold taxes under certain circumstances and forward the withholdings to FTB.

Withholding is generally required when a nonresident:

- Sells California real property, or
- Receives payment for services performed in California, or
- Receives payments for leases, rents or royalties for property located in California, or
- Receives a partnership distribution of California income (domestic nonresidents) or a partnership allocation of income (foreign nonresidents), or;
- Receives a distribution of California income from an estate or trust.

These withholding requirements were established to promote voluntary compliance with California tax laws among nonresident individuals and entities that may be unaware of their filing requirements.

## FTB Calendar

### November

- Package X order forms mailed.
- Notices of Proposed Assessment are mailed to individuals who have not filed their 1998 tax returns.
- Notices of Proposed Assessment mailed to corporations in August become billable.

8-10 California Tax Policy Conference.

- 20 Previous month nonresident withholding payments are due if total withholding exceeded \$2,500.

### December

- Notices of Proposed Assessment mailed to individuals who have not filed their 1998 tax returns.
  - Notices of Proposed Assessment mailed in September become billable.
- 20 Previous month nonresident withholding payments are due if total withholding exceeded \$2,500.

### January

- Package X is published and distributed.
  - e-file return transmissions begin.
  - Notices of Proposed Assessment mailed to individuals who have not filed their 1998 tax returns.
- 18 Personal income tax estimate payments are due.
- 20 Previous month nonresident withholding payments are due if total withholding exceeded \$2,500.
- 31 Form 592, Resident Withholding Annual Return is due.

# California's Nonfilers

## ***FTB Attempts to Reach Them Before It's too Late***

Beginning in November, the Franchise Tax Board will mail approximately 700,000 reminder notices urging individuals to file their 1998 state income tax return.

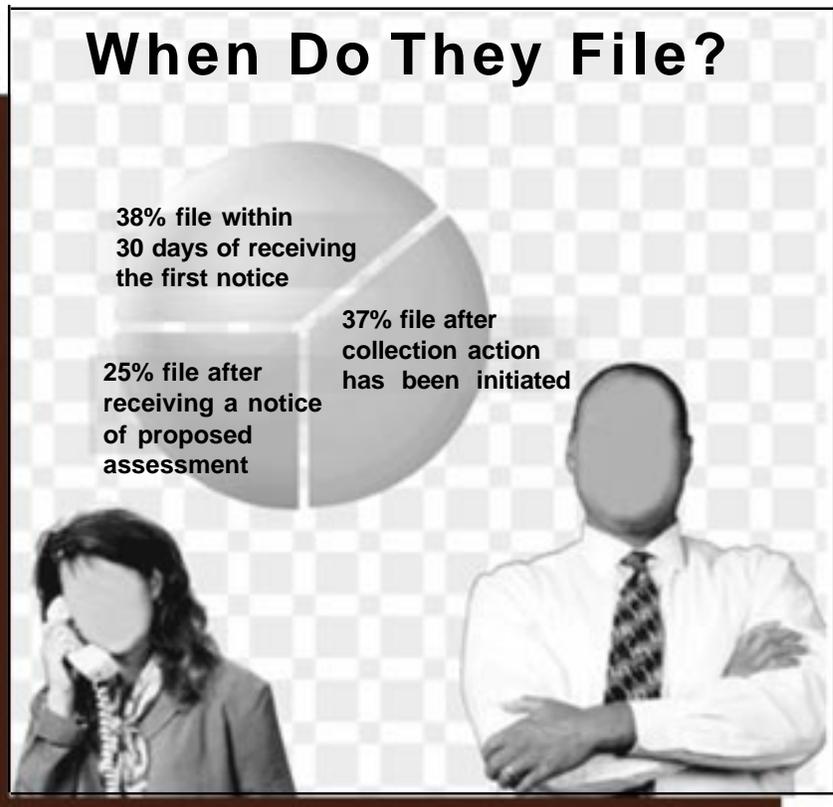
**The best way to reduce the amount of penalties, interest and fees is to file the return within 30 days.**

If one of your clients receives a notice, advise him or her that the best way to reduce the amount of penalties, interest, and fees is to file the return within 30 days.

If a return is not filed in response to the notice, FTB may issue a proposed assessment. The assessment will be based on information provided to FTB by various sources and will include tax, penalties and interest, as well as fees to cover the cost of enforcing his or her filing requirement.

Who are California's nonfilers? The following are some statistics compiled by the FTB Filing Enforcement Bureau:

- 65 percent are first-time nonfilers who have a history of filing their returns on time.



- The majority of nonfilers are between 36-45 years old.
- The average nonfiler assessment, including tax, penalties, interest and fees is \$4,000.

Of the 700,000 individuals to be contacted by FTB:

- 54 percent are wage earners.
- 29 percent are self-employed.
- 8 percent filed a federal tax return from a California address, but did not file a California return.
- 4 percent are being contacted as a result of information reported on a Form 1098 "Mortgage Interest Statement."

- 3 percent are being contacted because they sold real property located in California.
- 2 percent had partnership or S corporation income.

Historically:

- 38 percent of the individuals contacted file their required return within 30 days of FTB's initial request.
- 25 percent file their return after FTB issued a proposed assessment.
- 37 percent file after some type of collection action has been initiated by FTB.

# Laws and Legislation

## Summary of Legislation Recently Signed Into Law

Several legislative measures dealing with taxes or affecting the Franchise Tax Board were recently signed into law. For FTB's complete legislative analyses of these bills, visit the FTB Law and Legislation webpage located on the FTB Internet Website. The address is [www.ftb.ca.gov/law\\_legis/index.htm](http://www.ftb.ca.gov/law_legis/index.htm).

### Conformity / IRS Reform Act

**SB 94 Chesbro (Ch.99-931)** This act conforms, with some modifications, to 22 selected provisions of the Taxpayer Protections and Rights contained in the Internal Revenue Service Restructuring and Reform Act of 1998 (IRS Reform Act).

This act:

1. Deletes obsolete refund provisions relating to the renter's credit;
2. Provides relief to an employee whose employer withheld delinquent taxes from the employee's pay, but failed to remit the amounts to the FTB; and
3. Provides FTB administrative authority to compromise a tax debt similar to the IRS's current offers in compromise authority.

**SB 685 Monteith (Ch.99-348)** This act conforms, with some modifications, to two provisions of the Taxpayer Protections and Rights contained in the IRS Reform Act. This act requires FTB to notify tax debtors:

1. At least 30 days before it intends to levy.
2. Within five business days of filing or recording a notice of state tax lien that such notice of lien has been filed. During the 15-day period following the filing of the

notice of state tax lien, tax debtors may request an independent departmental administrative review.

The notice would have to include the proposed actions that may be taken (but does not require itemizing the property) and the laws and procedures relating to the release of levy. The notice would have to be given by first class mail to the address of record, unless mail sent to the same address was returned undelivered with no forwarding address, in which case notice would not be required. No levies may be made during the 30-day period. If the tax debtor were to request a departmental independent administrative review, collection action must be suspended during the review period plus 15 days. The provisions would not apply to jeopardy assessments, but FTB is required to give these tax debtors an opportunity for hearing within a reasonable time.

### Child Support Enforcement

**AB 150 Aroner (Ch.99-479)** This act designates FTB, as agent for California's Title IV-D agency, to be responsible for the procurement, development, implementation and maintenance of the California Child Support Automation System (CCSAS) in accordance with the state's child support plan. CCSAS will be a single statewide automated system that will include the State Case Registry, the State Disbursement Unit and all other necessary data bases and interfaces.

**AB 196 Kuehl (Ch.99-478)** This act creates within the California Health and Human Services Agency the Department of Child Support Services to replace the Department of Social Services (DCSS) as

California's Title IV-D agency. In addition, this act transfers the county district attorneys' or new local child support agencies' responsibility and authority to enforce collection of delinquent child support to FTB.

Under this program, counties are required to transfer to FTB all child support accounts greater than \$100 and more than 60 days in arrears or as otherwise defined by guidelines prescribed by the DCSS, in consultation with the FTB. Upon transfer of the delinquency, FTB has the authority to enforce collection of the delinquency as though it were a delinquent personal income tax liability.

**AB 370 Wright (Ch.99-654)** Under this act, whenever a notice is issued by a state (or local) governmental agency to a support obligor, the notice is required to:

1. State the date upon which the amount of the delinquency was calculated;
2. Notify the obligor that the amount calculated may or may not include interest; and
3. Notify the obligor of his or her right to request that the local child support agency (county) review the arrears and make an administrative determination of arrears. A request for an administrative determination would not suspend the enforcement of the arrearage, unless so instructed by the county.

**AB 472 Aroner (Ch. 99-803)** This act requires FTB to cooperate with the local child support agency in resolving any complaints concerning the action or inaction of the FTB on a child support

# Summary of Legislation Recently Signed Into Law

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delinquency referred to FTB for accounts receivable management. FTB will be required to ensure that a representative attend any compliant resolution hearing if deemed necessary by the local child support agency. FTB and the local child support agency will be required to comply with, and execute, decisions rendered by the director of the Department of Child Support Services.

**AB 1671 Judiciary Committee (Ch.99-980)** As this act directly affects the FTB, it will:

1. Require that out-of-state child support delinquencies be processed through the financial institutions data match and levies be made thereon, as mandated by federal law.
2. Create a lien by operation of law (statutory lien) on an obligor's personal property for all amounts of overdue support regardless of whether the amounts have been adjudicated or otherwise determined. However, the child support statutory lien would have priority over any competing state tax and lien only if the child support lien is filed with the Secretary of State (SOS) or the levy is made on the property before the state tax lien is filed with the SOS.
3. Make technical corrections to child support collection laws administered by FTB under the Revenue and Taxation Code by replacing a repealed section number of the Welfare and Institutions Code (WIC) with the number of the new WIC section under which counties receive incentive payments for child support collections. It also replaces the formal name of Statewide Automated Child Support System (SACSS) with a generic reference to

California's automated child support system.

**SB 542 Burton (Ch.99-480)** This act, as it directly affects the FTB, amends AB 196 (Ch. 99-478). SB 542 clarifies that the transfer of the responsibilities and authorities to enforce collection of delinquent child support from the local agencies to the FTB is for purposes of accounts receivable management and not case management, as defined, and for purposes of enhancing the promptness, efficiency and effectiveness of wage withholding. Under this act:

1. The definition of delinquency is certain (i.e., accounts greater than \$100 and more than 60 days in arrears) and could not be superceded by Department of Child Support Services (DCSS) guidelines (which was not the intention of the author of AB 196 but otherwise would be allowed under that act).
2. Any levies on wages for delinquent child support issued by FTB are through the issuance of a notice of assignment (which is currently issued only by district attorneys) and will be issued on behalf of and in the name of the county transferring the delinquency.
3. The amount of an employee's wages subject to levy for delinquent child support under a notice of assignment will increase (from the greater of three percent of the arrearage or \$50) to that amount currently subject to levy through FTB's earnings withholding orders (up to 50 percent of the employee's disposable earnings).
4. When FTB identifies an employer to enforce payment of a child support delinquency and the

obligor also owes an amount for current support, FTB will be required to include in the notice of assignment the current support amount.  
5. FTB is required to direct obligors or third parties to make any payments directly to the local child support agency that transferred the delinquency to FTB, pending implementation of a state disbursement unit. Directing the payments to the local child support agency is subject to phase-in, to the extent necessary to ensure that the local child support agency is capable of accepting payment.

Additionally, this act delays from July 1, 2000, to January 1, 2001, the operative date for the Employment Development Department independent contractor registry.

## FTB Sponsored Legislative Proposals

**AB 189 Ackerman (Ch. 99-249)** This act removes the erroneous reference to a limited liability company (LLC) classified as a partnership in the definition of "tax" for purposes of suspending an LLC.

**AB 1140 Villaraigosa (Ch. 99-196)** This act raises the income threshold below which taxpayers are not required to file an income tax return by taking into account both the senior exemption credit and the recent increases in the dependent exemption credit.

**AB 1634 Revenue & Taxation Committee (Ch. 99-144)** Under the Unemployment Insurance Code, this act specifies that the definition of wages for the purposes of the quarterly report

# Summary of Legislation Recently Signed Into Law

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includes all remuneration includable in gross income for services paid by an employer engaged in a trade or business to all employees, while maintaining the current definition of wages for withholding purposes to preserve current exceptions to withholding. This act also clarifies which amounts must be included in the Report of Wages by specifically including in the definition of wages amounts withheld from pensions, annuities, and other forms of deferred compensation.

**AB 1635 Revenue & Taxation Committee (Ch. 99-605)** This act:

1. Allows FTB to revise the California return to reflect the proper filing status (making the filing status different from the status on the federal return) when the filing status used on the California return is determined to be incorrect.
2. Allows taxpayers who are not required to file a federal return to select any filing status for the California return that could have been claimed on the federal return had one been required.
3. Allows taxpayers who file a joint return for federal purposes and are allowed to file either married filing separate returns or a joint return for California purposes to change their California filing status after the due date for filing the return has passed.
4. Provides that the 90-day period for filing an action regarding income taxes or interest begins on the date the Board of Equalization determination becomes final.

**AB 1637 Revenue & Taxation Committee (Ch. 99-930)** This act eliminates the tentative minimum tax

limitation on personal exemption credits by allowing the personal exemption credits to reduce regular tax below tentative minimum tax. This act also makes a technical correction regarding the renters' credit.

**SB 603 Speier (Ch.99-203)** This act allows the Government Code provisions to control the FTB credit card program by removing the current discount rate limitation.

Under the Government Code, this act requires the FTB and any other state agency accepting credit cards for payment to notify each eligible payer and to provide the payer either a space on the billing statement or complete instructions on how to pay the agency by credit card.

This act also allows FTB to abate interest for the same period as the IRS for delays resulting from an error or delay in the performance of a ministerial or managerial act by an IRS officer or employee that occurred on or before the final federal determination was made.

**SB 1229 Revenue & Taxation Committee (Ch. 99-987)** This act makes the following changes:

1. Retains the program to refund excess state disability insurance through the tax return while ensuring that taxpayers who fail to claim the credit on their return still would be identified as quickly as possible to receive a refund of their excess contributions.
2. Makes several changes relating to federal adjustments regarding defining the final federal determination date and requirements for taxpayers to notify the department of any federal changes to their tax return.

3. Clears up inconsistencies regarding voluntary contribution funds and deletes redundant and unnecessary language.

4. Specifies that for purposes of determining the correct amount of tax for water's-edge electors, the presumption of correctness attaches to all federal audit determinations, including determinations made at the audit, appeals and/or competent authority levels.

5. Clarifies that substandard housing could be housing that is either (1) occupied or (2) unoccupied or abandoned.

6. Eliminates obsolete language regarding pending litigation that allows elimination from income of certain unitary corporation intercompany dividends.

7. Eliminates ambiguity about the due date for filing a tax return by requiring corporate taxpayers to file their income tax return "on or before the 15th day of the third month following the close of its income year."

8. Specifies that a taxpayer that uses the head of household filing status or surviving spouse filing status cannot claim the dependent parent credit.

9. Cleans up technical issues made necessary by the enactment of various bills affecting the R&TC in the 1998 legislative session.

10. General maintenance of the R&TC including repealing obsolete provisions, updating cross-references, and making consistent references to federal law.

11. Clarifies that payment of estimated tax by corporations and exempt organizations is not a prerequisite for receiving an extension of time to file a return.

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12. Clarifies that exempt organizations that are subject to tax on unrelated business taxable income are required to make estimated tax payments.

13. Eliminates the requirement for the revivor fee for exempt organizations and requires all exempt organizations seeking revivor to submit a new exemption application when requested by the department.

14. Specifies that an organization's exempt status may be revoked for failure to file any return required or failure to pay any tax due. Exempt status may be reestablished only upon the filing of all returns or the payment of all taxes due.

### Enterprise Zones

**SB 84 Costa (Ch.99-137)** This act modifies the rules regarding expansion of enterprise zones as follows:

1. Allows the enterprise zones located in Fresno or Kern Counties to expand into adjacent unincorporated areas.
2. Allows expansion into noncommercial or nonindustrial land if that land is needed as a right-of-way and is needed for contiguous expansion.
3. Specifies that expansion into an adjacent unincorporated area must be into an area contiguous to the existing enterprise zone.

**SB 113 Kelley (Ch.99-58)** This act makes a technical correction to the definition of qualified disadvantaged individual in the Manufacturing Enhancement Area Employers Hiring Credit by specifying that the references to expired federal programs include any successor programs.

### Internet

**AB 187 Hertzberg (Ch.99-405)** This act creates the Grant Information Act of 1999 and allows all state agencies to include a listing of all grants and applicable forms administered by that state agency on the Internet.

**AB 1234 Shelley (Ch.99-393)** This act amends the Bagley-Keene Open Meetings Act (the Act) to require that a state body provide notice of its meetings, certain findings of special meetings and the minutes from emergency meetings on the Internet.

In addition, this act amends the authority of the Attorney General and others to commence an action for the purpose of determining the applicability of the Act to past actions by members of the state body. This act provides that an interested person would have 90 days instead of 30 days to commence an action for the purpose of obtaining a judicial determination that the action by a state body was in violation of specific sections of the Act.

### Credits

**AB 97 Torlakson (Ch.99-893)** This act eliminates the January 1, 2000, sunset date and instead provides that the chapter authorizing the Tax Credit Allocation Committee to allocate the credit for the costs of constructing or rehabilitating low-income housing shall be in effect so long as the federal low-income housing credit is in effect.

**SB 705 Sher (Ch.99-77)** This act increases the state credit for "qualified research expenses" from 11 percent to 12 percent.

### Deductions

**AB 114 Florez (Ch.99-165)** This act allows special disaster treatment of losses sustained as a result of a freeze or any related casualty that occurred during the winter of 1998-99 in any county of California that was declared a disaster. In addition, this act adds a provision inadvertently dropped in a prior amendment to this section, which reinstates favorable disaster loss treatment to Governor declared disasters which are added to the list of disasters in this code section.

**AB 1107 Cedillo (Ch.99-146) and AB 1289 Baugh (Ch.99-117)** These acts provide that for taxable years beginning on or after January 1, 1999, California law will conform to federal law with regard to the incremental phase-in of a 100 percent deduction for self-employed health insurance costs.

### Voluntary Contributions

**AB 160 Alquist (Ch.99-315)** This act extends the operation of the California Alzheimer's Disease and Related Research Fund to January 1, 2005.

**SB 246 Solis (Ch. 99-988)** This act allows the California Firefighters' Memorial Fund to be used for the maintenance as well as the creation of a memorial and extends the fund's operation to January 1, 2006.

**AB 1697 Aging Committee (Ch.99-228)** This act extends the sunset date for the California Fund for Senior Citizens to January 1, 2005, and requires the fund to meet the annual minimum contribution amount.

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**SB 493 Figueroa (Ch.99-398)** This act allows taxpayers to make a voluntary contribution on their personal tax income returns to the Birth Defects Research Fund.

**SB 1064 Perata (Ch.99-989)** This act amends the statute for the California Mexican American Veterans' Memorial Beautification and Enhancement Account to specify the \$250,000 minimum contribution limitation will not take effect until 2001.

**SB 1230 Burton (Ch.99-215)** This act allows taxpayers to make a voluntary contribution on their personal income tax returns to the California Peace Officer Memorial Foundation Fund.

### Miscellaneous

**AB 10 Correa (Ch. 99-64)** This act exempts every corporation that incorporates or qualifies to do business in California on or after January 1, 2000, from the minimum franchise tax prepaid to the Secretary of State for its first taxable year and the minimum franchise tax for the second taxable year.

**AB 41 Wesson (Ch. 99-463)** This act allows a taxpayer to make a deposit in the nature of a "cash bond" to stop the running of interest and provides that such payments shall not be considered a "payment of tax" for purposes of filing a claim for refund or bringing an action.

**AB 197 Ackerman (Ch.99-250)** This bill authorizes California general partnerships to convert to California limited liability companies or California limited partnerships and authorizes California LLCs and LPs to convert to

general partnerships and foreign and other business entities.

**AB 414 Havice (Ch.99-614)** This act modifies the statute of limitation applicable to credits and claims for refund. This act begins the four-year statute on the date the return was actually filed, if the return was timely filed by the extended due date.

**AB 831 Leach (Ch.99-490)** This act authorizes the organization of single-member limited liability companies in California.

**AB 1105 Jackson (Ch.99-67)** This act removes the requirement that cities that maintain a computerized record-keeping system or that have access to such a system annually furnish the FTB with information regarding taxpayers who pay city business license taxes.

**AB 1120 Havice (Ch.99-69)** This act removes the January 1, 1999, sunset date on the issuance of qualified small business stock, thereby making the exclusion permanent.

**AB 1379 Granlund (Ch.99-241)** Under the Business and Professions Code, this act allows a trustee of a funeral trust to pay taxes on earnings of the trust, provided the taxes are not paid from the corpus of the trust.

**SB 93 Chesbro (Ch.99-8)** This act conforms to federal technical changes relating to Roth Individual Retirement Accounts included in the Internal Revenue Service Restructuring and Reform Act of 1998 (IRS Reform Act).

**SB 164 Johnston (Ch.99-471)** This act provides an exclusion from gross income for amounts received as reparation

payments paid by the Canadian government to redress the injustice done to persons of Japanese ancestry who were interned in Canada during World War II.

**SB 284 Kelley (Ch.99-1000)** This act provides that, upon a corporate merger, the surviving domestic corporation assumes the liability of the disappearing corporation and file the required tax and information returns. In addition, this act requires, under certain circumstances, that the Secretary of State file the merger without a certificate of satisfaction from FTB.

**SB 319 Burton (Ch.99-306)** This act extends the authority of the Joint Enforcement Strike Force on the Underground Economy until January 1, 2006. This act also extends the authority of the Labor Commissioner to designate, authorize and train an employee of any agency participating in the strike force to issue citations and to issue and serve a penalty assessment order.

**SB 934 Burton (Ch.99-675)** This act allows state-chartered credit unions to qualify for exemption from franchise or income tax under the Bank and Corporation Tax Law and also exempts all credit unions from other state, county and municipal taxes and license fees, except certain specified taxes.

## Register for Free e-file Seminars

The Franchise Tax Board and the Internal Revenue Service are co-sponsoring free e-file seminars. You can learn about everything from how to fill out an e-file application to how to read the acknowledgement report you receive when your tax returns are accepted by an e-file system.

To register for a seminar, send a fax to (916) 845-5340.

Here are the remaining seminars for 1999:

### Los Angeles

November 15 – Van Nuys

### San Diego Area

November 17 – San Diego

November 18 – Corte Madera

November 22 – Laguna Niguel

November 23 – Oceanside

### Northern California

November 18 – Sacramento

December 2 – Walnut Creek

December 7 – Oakland

December 9 – San Francisco

December 9 – Sacramento

December 16 – Sacramento

### Central California

December 1 – San Jose

# Free 1099 TestWare Saves Time by Reducing Errors

Filing information returns via magnetic media can save you time and money, but even magnetic media loses its effectiveness when your files have to be returned and resubmitted due to file format errors.

That's why the Franchise Tax Board created "1099 TestWare" for its information return magnetic media filers. 1099 TestWare is free software that enables you to test your data files before submitting them to FTB.

First, 1099 TestWare performs a pre-edit check on your file to ensure that it is in a format that can successfully pass FTB's mainframe edit programs. The software identifies problem areas that may prevent speedy processing.

Besides reviewing data sets for structural correctness, the software also performs data integrity edits and verifies calculated totals on the "C," "K" and "F" records of the file. However, the software does not verify the correctness of the data. Once the file has been edited and corrected, you can send it to FTB.

For more information about the 1099 TestWare, contact the Magnetic Media Unit

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The Franchise Tax Board has an electronic information service exclusively for tax practitioners.

The service is called Tax e-News and it is designed to provide current news and information affecting tax professionals.

To sign up for the service, simply send an e-mail message to:

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If you have questions about the service, call Tax News at (916) 845-3428 or 845-7070.

at (916) 845-3778. Or visit the Magnetic Media Unit's webpage entitled "Frequently Asked Questions About Information Returns (Forms 1098, 1099 series, 5498, W-2G) - Your Reporting Questions Answered."

To access the webpage, go to [www.ftb.ca.gov](http://www.ftb.ca.gov), and type "information returns" into the search feature.

## Interest Rates

For the period of January 1, 2000, through June 30, 2000, the interest rate on underpayments and overpayments of California income taxes will be **eight percent**. The following table lists interest rates since October 1988.

Effective Date	Rate
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 - 1 Dec. 1994	7%
1 Jan. 1995 - 30 June 1995	8%
1 July 1995 - 31 Dec. 1995	9%
1 Jan. 1996 - 30 June 1996	9%
1 July 1996 - 31 Dec. 1996	9%
1 Jan. 1997 - 30 June 1997	9%
1 July 1997 - 31 Dec. 1997	9%
1 Jan. 1998 - 30 June 1998	9%
1 July 1998 - 31 Dec. 1998	9%
1 Jan. 1999 - 30 June 1999	8%
1 July 1999 - 31 Dec. 1999	7%
<b>1 Jan. 2000 - 30 June 2000</b>	<b>8%</b>

## Institute Offers Tax Law Programs

In November and December, the 1999 Tax Practitioners' Institute will offer tax practitioners the opportunity to obtain up to 24 hours of continuing professional education credits.

The education credits may be used to satisfy the requirements of the California State Board of Accountancy, the California Tax Education Council and, the Internal Revenue Service.

The Institute will offer federal and state tax law programs at the following times and places. For enrollment, registration fee and other information, call one of the telephone numbers listed below.

### **Chico**

November 15-17  
(916) 898-6105

### **Santa Barbara**

November 18-20  
(805) 893-4952

### **Oakland**

November 29 - December 1  
(510) 885-3605

### **Monterey**

December 2-4  
(408) 342-0233

### **Arcata**

December 6-8  
(707) 826-3731

The Institute's federal program covers compliance issues including policy and

procedural updates for the current season and tax planning strategies for individual and corporate returns. The state program includes a review of changes in state income and franchise tax law and policy.

Bob Meyer, IRS' Assistant District Technical Coordinator, will present the Institute's federal program.

Meyer will explain the new innocent spouse provisions and related issues, tax planning for "office in the home" (e.g., residence sales and tax planning issues) and buying or starting a business.

Meyer will also present "A New, Kinder and Gentler IRS," a briefing on the IRS' reorganization.

The federal program will also include a presentation Andy Fulop, an enrolled agent and a tax consultant, who has been admitted to practice before the Tax Court of the United States.

Fulop will discuss tax and penalty issues related to planning pension and Individual Retirement Arrangements distributions, sale of a business and the innocent spouse rules.

John Pavalasky, legislative specialist for the Franchise Tax Board, will review changes in state income and franchise tax law and policy. He will also cover state and federal law differences that affect state returns for individuals and corporations.

## *Call FTB for Head of Household Presentation*

Franchise Tax Board conducts informative presentations on the head of household filing status at locations throughout the state.

The presentations are geared towards helping practitioners better understand the head of household filing status.

A typical presentation includes a head of household program overview,

an explanation of the qualification criteria for using the head of household filing status and a discussion about important questions that practitioners should ask their clients who file head of household.

For information on how to schedule a head of household presentation conducted in your area, contact FTB's Head of Household Unit at (916) 845-6265.

Professional Education

# Make Sure Your 1999 Tax Forms are Usable

Are you planning to use scannable or substitute 1999 California tax forms?

If so, make sure they meet the Franchise Tax Board's requirements. If they do not, delays may occur during processing. In some cases, FTB may not be able to process your clients' forms and will have to contact them directly.

All companies that produce or sell substitute or scannable California tax forms must file an agreement to comply with FTB requirements for the 1999 tax year. Form FTB 1096, "Agreement to Comply with FTB Publication 1098," states that the company agrees to follow certain rules for developing scannable and substitute forms. Merely filing form FTB 1096, however, does not mean the company's forms have been approved by FTB.

Each year, companies must also submit their forms to FTB for approval. Companies that either sell or provide photocopies of official FTB forms do not need to submit them for approval. If you are unsure whether all your forms have been approved for the 1999 tax year, ask your tax software company to show you the letter of approval for each form before you use it. Do not accept a general statement that the forms have been approved. Instead, give the company a list of the forms you plan to use and request a copy of the letter of approval for each one.

Here is a list of the companies that have filed forms FTB 1096 with the department so far. Look for an updated list in the January Tax News:

2<sup>nd</sup> Story Software  
(319) 373-3600

5227 Tax Systems, Inc.  
(626) 578-1978

Accountant Stationers & Printers  
(800) 423-9717

Alpine Data Inc.  
(800) 525-1040

AM Software  
(816) 741-7848

American Financial & Tax  
(714) 669-1172

Arthur Andersen LLP  
(941) 341-2498

Atila M. Taluy  
(805) 984-0248

ATX Forms, Inc.  
(207) 498-4289

Block Financial Corporation (TaxCut)  
(913) 599-2885

BNA Software  
(301) 424-6350

CCH Incorporated (Torrance)  
(310) 543-6200

CCH Incorporated (Wichita)  
(316) 612-5000

CFS Income Tax  
(805) 522-1157

Content Creators, LLC  
(415) 893-9915

CPASoftware  
(850) 434-2685

Creative Solutions  
(734) 426-5860

Curtis Publications, Inc.  
(Telephone number not available)

Deloitte & Touche Tax Technologies  
LLC (847) 236-8000

Drake Enterprises  
(828) 524-8020

EXACTAX  
(714) 778-4081

Gear Up Tax Seminars  
(916) 979-1222

GEMISYS  
(303) 705-6000

Golden State Tax Training  
Institute, Inc.  
(847) 459-3000

Hayden R Wisdom, EA  
(530) 888-1040

H&R Block  
(816) 932-8495

Hambrecht & Quist  
(415) 439-3000

HowardSoft  
(858) 454-0121

Inland Society of Tax Consultants  
(Telephone number not available)

Intuit, Inc.  
(858) 784-4274

IPS/ImageOne, Inc.  
(818) 701-9692

IRIS Systems  
(800) 852-4747

ITS, Inc.  
(800) 487-8291

Jackson Hewitt Tax Service  
(757) 473-3300)

KPMGLLP  
(Telephone number not available)

## Practitioners: How Does the Nonfiler Program Affect You?

Walt Disney once said, "You don't build the product for yourself. You need to know what the people want and build it for them." The Franchise Tax Board is taking that advice to heart as it develops its new Integrated Nonfiler Compliance (INC) system.

INC is a new automated system that will replace FTB's current personal income tax and corporation filing enforcement systems by late 2000. Once implemented, INC will help to improve the way FTB identifies and contacts individuals and businesses that have not filed state tax returns and information reporters who have failed to meet their filing requirements.

Some of the improvements INC will provide include:

- The elimination of more than 55,000 erroneous contacts annually with taxpayers who either do not have a filing requirement or have already filed their return,
- Notices that are timely, customer friendly and tailored to the specific facts of the case.

The INC Project team wants to learn more about how FTB's nonfiler program affects the tax practitioner community in order to develop a program that better meets the needs of tax practitioners and their clients.

The INC team is conducting focus group meetings with tax professionals to discuss nonfiler programs, to get practitioners' inputs about FTB's methods for identifying and contacting nonfilers and to get advice about how the department can meet the needs of the tax practitioner community and their clients. For example, practitioners will review the new notices FTB will send to nonfilers.

If you have ideas on how to improve FTB's Nonfiler Program, or have any concerns about it, the INC Project would like to hear from you. Please send an email to:

Michael\_Todd@ftb.ca.gov.

## Forms Producers

CONTINUED FROM PAGE 12

Lacerte Software  
(972) 490-8500

MAVRICC Management Systems, Inc.  
(248) 614-4500

Micro Vision Software  
(800) 829-7354

Nelco  
(920) 337-2774

ORRTAX Software, Inc.  
(800) 377-3337

Petz Enterprises, Inc.  
(209) 835-2720

Probate Software  
(970) 330-3260

Professional Stationers, Inc.  
(818) 982-5222

Research Institute Of America Group  
(212) 807-2898

Reynolds & Reynolds  
(Telephone number not available)

RIA (formerly CLR/FastTax)  
(800) 327-8829

RIA (Omega Group) (formerly CLR/  
FastTax) (972) 250-8000

Spidell Publishing, Inc.  
(714) 776-7850

Stallion Software, Inc.  
(513) 936-9771

STF Services Corporation  
(800) 541-7197

Tax And Accounting Software  
Corporation  
(800) 998-9990

Tax Forms Inc.  
(Telephone number not available)

Tax Link, Inc.  
(614) 457-1949

Taxtor Educators  
(909) 885-5017

Taxware Systems, Inc.  
(800) 877-1065

Taxworks by Laser Systems  
(801) 552-8800

Top Bookkeeping Service  
(818) 996-5677

Tri-Tech Software Development  
Corporation  
(972) 680-2223

U S Tax Systems, Inc.  
(800) 966-8787

Universal Tax Systems  
(800) 755-9473

Wallace Computer Services  
(630) 588-6151

Weaver Tax Service  
(408) 258-0912

William H. Downs, CPA  
(818) 981-4313

Xpress Group, Inc.  
(Telephone number not available)

# Time to Order 1999 Package X

## ***Remember to Add Sales Tax to Your Purchase***

California residents ordering Package X must add sales tax to their total based on their county of residence. (Remember: Do not add sales tax to your Tax News amount.)

Here are the sales tax rates for California's counties:

Nevada, Solano, Stanislaus Counties  
**7.375%**

Sonoma  
**7.5%**

Fresno, Imperial, Inyo, Madera, Napa, Orange, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Joaquin, Santa Barbara  
**7.75%**

Santa Cruz  
**8.0%**

Alameda, Contra Costa, Los Angeles, Santa Clara, San Mateo  
**8.25%**

San Francisco  
**8.5%**

All Other Counties  
**7.25%**

It is time to order your 1999 California Package X.

The Franchise Tax Board is now accepting orders and will mail the Package X in January. All early orders will be processed immediately so the labels are ready to print as soon as the Package X is produced.

There are three versions of the 1999 Package X to choose from. The bound and loose-leaf paper versions cost \$13 plus sales tax. The best value, however, is the CD-ROM for Windows version. It also costs \$13 (plus sales tax) and comes with:

- 1999 California Package X forms;
- 1999 Internal Revenue Service Package X forms;
- fillable forms;
- California Package X forms for the four previous years; and
- information on electronic filing (e-file).

The CD-ROM for Windows version also has a search feature so that you can locate references to special words or terms in both the tax forms and instructions. And in March you will receive a second disk with updated forms. You should be able to use the CD-ROM if you have:

- A 486DX or Pentium computer with a processor speed of 33 megahertz or faster.
- Microsoft Windows 3.1 or later with a mouse.
- Four megabytes of RAM (main memory).
- Double speed or greater CD-ROM drive capable of reading ISO 9660 format.
- VGA, SVGA or higher resolution color video display/adaptor.

- PostScript Windows-compatible printer or Hewlett-Packard LaserJet III and above with one megabyte of user RAM.

To place your order for a Package X, use the 1999 Package X/Tax News order form on the back page of this issue. (You can also use the form to renew your subscription to Tax News.) Here are some tips for completing the order form:

- Use the 1999 order form provided. Do not use a form from a previous year. Even if you cross out the year and write in "1999," you are using an out-of-date order form and your order may be delayed.
- Make any necessary corrections to the name and mailing address that are printed on the form.
- Provide your telephone number.
- Add the amounts for the Package X and the Tax News orders, and apply the appropriate amount of sales tax to the Package X order based on the county of your residence. (Refer to the sales tax table provided on this page.) Remember: Do not apply sales tax to the Tax News order amount.
- Be sure to enclose your check or money order payable to the Franchise Tax Board. Orders without payments are not processed. Do not send cash.

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

Package X / Tax News  
PO Box 2708  
Rancho Cordova CA  
95741-2708.

For more information about Package X or Tax News, call (916) 845-7070.