FRANCHISE TAX BOARD
MINUTES
DECEMBER 10, 2018

The Franchise Tax Board met in open session at 1:30 p.m. at the Franchise Tax Board, 9646 Butterfield Way, Gerald H. Goldberg Auditorium, in Sacramento, California. Present were Deputy Controller Yvette Stowers, Hon. George Runner, and Chief Deputy Jacqueline Wong-Hernandez, Department of Finance, for Member Keely Bosler.

Franchise Tax Board Staff Participating: Selvi Stanislaus, Jozel Brunett, Shane Hofeling, Dawn Casey, Michael Banuelos, Jahna Carlson, Diane Deatherage, Red Gobuty, Alvaro Hernandez, Susan Maples, Tiphanie Weiss

Others Participating: Fred Campbell-Craven, Bruce Langston, Laureen Philipp

Item 1. – Approval of Minutes

The minutes of the September 21, 2018, Franchise Tax Board meeting were approved 3-0.

Item 2. – Legislative Matters

A. The Board received a presentation on two Legislative Proposals.

The Board voted 3-0 to approve the two Legislative Proposals.

B. The Board received a presentation on the Summary of the California Conformity to Federal Income Tax Changes Meeting.

Item 3. – Regulations Matters

A. 2019 Rulemaking Calendar – The Board voted 3-0 to approve the Rulemaking Calendar.

Item 4. – Administrative Matters

A. 2019-20 AB 2503 Administrative Dissolution Budget Change Proposal – The Board voted 2-0 (Member Wong-Hernandez abstaining) to approve the 2019 AB 2503 Administrative Dissolution Change Proposal.

B. Contracts Over $1 Million – Board Approval
1. Security Guard Services – The Board voted 3-0 to approve the Contract Item.

Item 5. – Annual Report, Education & Outreach, and Taxpayers' Bill of Rights

The Board received a PowerPoint presentation on the Annual Report, Education and Outreach of the Taxpayers' Rights Advocate's Office.

See attached Taxpayers' Bill of Rights Hearing, Franchise Tax Board, Minutes, December 10, 2018.

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Item 9. – Executive Officer's Time

Selvi Stanislaus congratulated Chair, State Controller Yee on her win for another four years in her post.

Second, Selvi congratulated Member Runner on his exemplary career of service and on his retirement.

Finally, Selvi thanked Member Wong-Hernandez for her guidance and support this year and looking forward to working with her in 2019.

Item 10. – Board Members' Time

Member Runner expressed how he enjoyed his time on the FTB Board.

Chairperson Stowers, on behalf of controller Yee, thanked Senator Runner for his service to the Board and to the State of California. She then thanked the Department of Finance, and Member Wong-Hernandez, for providing valuable service to this Board.

The Board members presented a Retirement Resolution to Laureen Philipp for her professional and personal dedication to the FTB.

The Board members presented a Retirement Resolution to Fred Campbell-Craven, Deputy Chief Counsel for the Multistate and Business Entity Tax Bureau in the Legal Division, for his professional and personal dedication to the FTB.

The Board members presented a Retirement Resolution to Bruce Langston, Assistant Chief Counsel for the Technical Resources Bureau in the Legal Division, for his professional and personal dedication to the FTB.

Chairperson Stowers announced there was no closed session and adjourned the meeting at 2:50 p.m.

PENDING BOARD APPROVAL

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Board Liaison Date

TAXPAYERS' BILL OF RIGHTS HEARING
FRANCHISE TAX BOARD
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Franchise Tax Board Staff Participating: Selvi Stanislaus, Jozel Brunett, Shane Hofeling, Susan Maples Dawn Casey

Others Participating: Lynn Freer, Christine Grab, Dennis Loper, Laureen Philipp, Jenny Wetterman

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Taxpayers' Bill of Rights Hearing

Chairperson Stowers provided opening remarks describing this annual hearing, which is required by law, and introduced Franchise Tax Board staff members who were present to respond to questions.

Susan Maples, Taxpayers' Rights Advocate, provided opening comments and reviewed issues raised at the last Taxpayers' Bill of Rights Hearing. She promised to ensure a written response from the department to all of the issues raised at the hearing by February 1, 2019.

Jenny Wetterman – California Association of Enrolled Agents

Ms. Wetterman provided oral comment to the Board on the following issues:

- The first issue is the California Schedule CA and the importance of conformity with the federal Tax Cuts and Jobs Act ("TCJA") for itemized deductions. She recommends that FTB conform to certain provisions of federal law and increase the standard deductions in California to ease the administrative burden on taxpayers.
- The second conformity issue is simplifying small business accounting methods. TCJA increased the eligibility of small businesses to use the cash method of accounting if their average gross receipts do not exceed 25 million dollars. Currently, for California, the 5 million dollar average gross receipts threshold still stands. She recommends immediate conformity to the new federal provision.
- Next item is clarification regarding withholding credits from FTB withhold at source programs. She recognized FTB for sending out letters to taxpayers with expiring real estate withholding credits. She asked that the amount of the unclaimed withholding credit be added to the letter, and also asked for clarification as to when an amended return is required to be filed.
- Another area of concern she expressed was the taxpayer information authorization ("TIA") and power of attorneys ("POA") for deceased taxpayers. She asked for an outline of Franchise Tax Board's current procedure for assisting representatives in securing this information for fiduciaries and provide some information on the processing times for a TIA or POA for a deceased taxpayer.

- Her final area of concern is with the Franchise Tax Board's Voluntary Disclosure Program. She asked for a remedy to an issue caused in this program which renders an entity that is registered with the Secretary Of State's Office ineligible to participate regardless of how long the entity has been registered or qualified.

Christine Grab – Individual Taxpayer

Ms. Grab shared eight policy change requests to the Board.

- One, end the policy of withholding estimated tax payments made via credit elect until the taxpayer files a return.
- Two, end the policy of withholding estimated tax payments made by married couples until the married couple files a return.
- Three, end the policy of assessing licensees with tax liabilities when there is no proof of income earned.
- Four, clearer definitions of what defines an abatement request.
- Five, requesting the Office of Tax Appeals oversee the Taxpayer Appeals Assistance Program.
- Six, better disclosure of annual Taxpayers' Bill of Rights meetings to the general public.
- Seven, acknowledgement of the abatement requests and disclosure of taxpayer rights in the abatement request.
- Eight, move the Taxpayers' Rights Advocate to work under Government Operations Agency. She requested Ms. Maples and the FTB Board Members work together with state representatives to put together a bill to propose the move in the next legislative session.

Ms. Brunett and Ms. Maples responded to Ms. Grab's comments. Ms. Maples thanked Ms. Grab for bringing these issues to her attention and said she would respond to Ms. Grab's concerns in writing as part of our regular Taxpayers' Bill of Rights Process.

Dennis Loper – Bechtel Group

Mr. Loper presented his request to the Board.

- Requesting that the Board direct staff to develop legislation to bring some certainty to the Other State Tax Credit, as applied to California residents who pay the Texas Margins Tax.

Chairperson Stowers responded that the Board will consider the proposal and respond through our regular Taxpayers' Bill of Rights process.

Lynn Freer – Spidell

Ms. Freer had a couple requests for the Board.

- Her first request was regarding the *Appeal of Larsen* case recently decided by the Office of Tax Appeals. She would like to have guidance and an analysis on the issue and possibly a change of FTB's position, unless there's a change of law, for those nonresident taxpayers providing services to California residents.

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- Her other issue was related to audit timeframes. They are getting complaints from taxpayers who have been in audit, on relatively simple issues, for extended periods of time. They would like to see an improvement in this area.

Chairperson Stowers adjourned the meeting at 2:50 p.m.

Board Liaison

Date

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