STATE OF CALIFORNIA
FRANCHISE TAX BOARD

PUBLIC MEETING

MONDAY, DECEMBER 10, 2018
1:30 P.M.

GERALD GOLDBERG AUDITORIUM
9646 BUTTERFIELD WAY
SACRAMENTO, CALIFORNIA

REPORTED BY: KATHRYN S. SWANK
CSR NO. 13061

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APPEARANCES

BOARD MEMBERS:

YVETTE STOWERS, ACTING CHAIRPERSON
JACQUELINE WONG-HERNANDEZ
GEORGE RUNNER

STAFF:

SELVI STANISLAUS, EXECUTIVE OFFICER
DAWN CASEY, BOARD LIAISON
MICHAEL BANUELOS
JAHNA CARLSON
DIANE DEATHERAGE
RED GOBUTY
ALVARO HERNANDEZ
SUSAN MAPLES
TIPHANIE WEISS

COUNSEL:

JOZEL L. BRUNETT
SHANE HOFELING

ALSO PRESENT:

FRED CAMPBELL-CRAVEN, FTB
LYNN FREER, Spidell Publishing, Inc.
CHRISTINE GRAB
BRUCE LANGSTON, FTB
DENNIS LOPER, Bechtel Group
APPEARANCES CONTINUED

LAUREEN PHILIPP, FTB

JENNY WETTERMAN, California Association of Enrolled Agents

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SACRAMENTO, CALIFORNIA
MONDAY, DECEMBER 10, 2018 1:30 P.M.

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(The Certified Shorthand Reporter transcribed the proceedings from video and audio recordings of the meeting.)

ACTING CHAIRPERSON STOWERS: Good afternoon. This is the scheduled time for the meeting of the Franchise Tax Board.

Would the board liaison please call the roll to determine if a quorum is present.

MS. CASEY: Member George Runner.

MEMBER RUNNER: Here.

MS. CASEY: Member Wong-Hernandez.

MEMBER WONG-HERNANDEZ: Here.

MS. CASEY: Deputy-Chair Stowers.

ACTING CHAIRPERSON STOWERS: Here.

At least two members or their designated representative being personally present, there is a quorum, and the Franchise Tax Board is now in session.

At this time, I would like to ask Member Runner to lead us in the Pledge.

MEMBER RUNNER: Okay. Please stand with me.

(Pledge of Allegiance was recited...
in unison.)

ACTING CHAIRPERSON STOWERS: Thank you, Member Runner.

The public has a right to comment on each agenda item. If there are members in the public wishing to speak on an item, please come forward when the item is called. You will have five minutes to address the Board.

The first item on today's agenda, Members, is the approval of the September 24 -- 25 -- 21st board meeting.

Is there a motion?

MEMBER RUNNER: Move adoption.

MEMBER WONG-HERNANDEZ: Second.

ACTING CHAIRPERSON STOWERS: It's been moved.

Motion has been made and approved to approve the board meeting.

Without objection, that will be the order.

The second item on today's agenda is legislative matters. On Item 2A, we have Diane Deatherage to present the 2019 Legislative Proposals. These are action items that can be considered separately or together in a single motion.

MS. DEATHERAGE: Good afternoon. I'm presenting our 2019 legislative proposals, or LPs, today for your
consideration and approval. With your permission, I plan to briefly cover the two LPs that are included in your binder materials, and then request your approval at the end of my presentation.

ACTING CHAIRPERSON STOWERS: Please.

MS. DEATHERAGE: The first LP is LP-A that would modify California law for consistent treatment of the federal annual fee imposed under the Patient Protection and Affordable Care Act, or Affordable Care Act, as a nondeductible amount. I will first give some background information on these health care-related fees. In 2009, the Affordable Care Act was enacted by the federal government to provide affordable health care coverage to the public. In order to fund the coverage, fees were imposed on certain health care-related industries. These two fees are nondeductible for federal purposes as they are considered an excise tax.

So with -- the first one is an annual fee on branded prescription drug manufacturers and importers under section 9008 of the Affordable Care Act; and the second is a fee on health insurance providers under section 9010 of the Affordable Care Act.

In 2010, FTB considered the impact of the Affordable Care Act to California statutes while preparing our summary of Federal Income Tax Changes.
Report, which is also known as our Conformity Report.

As a result, a provision disallowing the deduction of one of the fees imposed under the Affordable Care Act, which is the section 9008, the one dealing with the manufacturers and importers, and that was included in Assembly Bill 154 in 2015. However, there was no similar Revenue and Taxation Code statute enacted to disallow the deduction for the other fee, the Health Insurance Providers Fee, under section 9010. As we presumed that only insurance companies would be subject to this fee and since insurance companies are only subject to the gross premiums tax, we did not make a statute -- a provision for that.

So this LP would amend the Revenue and Taxation Code to disallow the deductibility of the Health Insurance Provider Fee.

Do you have any questions on this LP before I move to the next one?

ACTING CHAIRPERSON STOWERS: Members? Members?

Go right ahead, ma'am.

MS. DEATHERAGE: Okay. The next LP, LP-B, would modify California law to establish penalty abatement authority, similar to the federal first time abatement program, except that it would apply only to individuals subject to the personal income tax law, and it would be
a one-time abatement. The abatement would apply to time
limit penalties, which includes a failure to file and
the failure to pay timely.

This proposal would require the FTB, upon
taxpayer request to abate a failure to file or failure
to pay penalty when reasonable cause is either absent or
the taxpayer chooses to forego a reasonable cause review
and at the time the abatement request is made, three
conditions must be met: First, the taxpayer is
otherwise compliant with their income or franchise tax
filing requirements; second, the taxpayer has not
previously been granted abatement under this new
section; and, third, the taxpayer has paid or is current
on an arrangement to pay any tax penalties, fees, and
interest currently due.

May I answer any questions on this LP?

ACTING CHAIRPERSON STOWERS: Any questions?

Thank you.

May I have a motion, please?

MEMBER RUNNER: Move adoption of LP-A and B.

(The Motion was seconded.)

ACTING CHAIRPERSON STOWERS: Without objection,
the motion passed.

MS. DEATHERAGE: Okay. Thank you for your
support and approval of the proposals.
ACTING CHAIRPERSON STOWERS: The next item is on Item 2B, which is a staff report from Jahna Carlson.

Go right ahead.

MS. CARLSON: Good afternoon, Members. My name is Jahna Carlson, the department's assistant legislative director.

It is my pleasure to be here before you to provide a summary of the 2018 Conformity Meeting held on November 15th.

The purpose of the 2018 Conformity Meeting was to bring together the department's external stakeholders to obtain input from the practitioner and industry communities on the appetite for conformity to various provisions of the 2017 Federal Tax Cut and Jobs Act.

This year, I have three firsts to share with you:

This is the first time we used a survey in advance to the meeting to organize the agenda around the areas of greatest interest. As a result, the agenda was split into a business and international session and a personal income tax session, allowing participants the choice of attending either or both sessions based on their area of focus;

We also established a dedicated e-mail address at FTB_CA_Conformity@FTB.ca.gov as an additional method of providing feedback specific to conformity matters. And
although the comment period for the conformity meeting will close on December 15th, the e-mail will remain available to allow for ongoing input.

This year, the meeting was live streamed for the first time to increase and facilitate participation. During the live stream, there were over 300 hits; and in the live audience, there were approximately 30 attendees at the personal income tax session and 50 attendees at the business entities and international tax session.

At this time, the agenda, materials, and videos of both sessions are available on the department's public website, and, as mentioned earlier, comments are still being received through December 15th.

And then to wrap up this year's conformity meeting, we anticipate completing and posting to the website a summary of the comments by the end of the year.

In closing, I would like to thank all of the participants for making time to attend and generously sharing their observations, and all of the staff, both on camera and behind the scenes, that put so many hours in to making this a successful event.

Members, are there any questions?

ACTING CHAIRPERSON STOWERS: Questions? Comments?
Thank you. I appreciate you putting the meeting together. I did attend the live stream app. We have a lot of issues when it comes to conformity. So I'm very grateful that you guys took the time out and you actually reached out to the taxpayers and stakeholders to get their input as well.

And I'm sure, as we go through next year's filing season and keeping that e-mail box open, it's going to be full. So best of luck to you both.

MS. CARLSON: Thank you.

ACTING CHAIRPERSON STOWERS: Okay. Item 3 is regulation matters. Item 3 is an action item, which is the Annual Rulemaking Calendar. This action item is presented by Red Gobuty.

Mr. Gobuty.

MR. GOBUTY: Good afternoon. Thank you.

The 2019 rulemaking calendar, in your materials, shows the regulation projects that FTB staff plans to work on during the 2019 calendar year. As required by Government Code 11017.6, on a yearly basis, FTB delivers a board-approved rulemaking calendar to the Office of Administrative Law, providing required information on regulatory items FTB plans to transmit for review and approval as part of the rulemaking process during the year.
As in the past, this board's approval of the calendar and any new items identified on it for which staff has not previously received board approval to begin the informal regulatory process serves as an explicit approval by the Board to allow staff to begin the informal regulatory process and hold interested parties' meetings for all calendared items.

And this year, there is only one new item on the calendar, which staff promised to add at the September meeting, and it is the rulemaking project to clarify the statutory term "net income taxes paid to another state" for purposes of the credit for taxes paid to other states, and it is identified on the first page of the materials.

And I would now ask for your board's approval of the 2019 Rulemaking Calendar.

ACTING CHAIRPERSON STOWERS: Members, questions?
MEMBER RUNNER: Move approval.
MEMBER WONG-HERNANDEZ: Second.
ACTING CHAIRPERSON STOWERS: It's been moved and seconded to approve the calendar.
Without objection, it passes.
MR. GOBUTY: Thank you very much.
ACTING CHAIRPERSON STOWERS: Thank you.
Okay. We have Tiphanie Weiss -- did I say that right? -- presenting the 2019/20 AB 250 [sic] Administrative Dissolution Budget Change Proposal; and we also have Michael Banuelos presenting contracts over $1 million.

These are action items that require a board approval.

MS. WEISS: Thank you.

Good afternoon. My name is Tiphanie Weiss. I'm the director of the Financial Management Bureau, and I am here to present for your approval the 2019/20 Budget Change Proposal for costs associated with the implementation of Assembly Bill 2503, Administrative Dissolution.

The proposal requests five permanent positions and $330,000 in the 2019/20 fiscal year; and $311,000 ongoing to administer the provisions of Assembly Bill 2503. This bill provides for the administrative dissolution of certain domestic corporations and domestic limited liability companies.

Prior to the enactment of Assembly Bill 2503, FTB lacked statutory authority to administratively dissolve business entities that fail to complete the process required to legally dissolve. As a result, these entities remain on the department's accounting system,
continuing to accrue taxes, interest, and penalties.

This bill provides two options for administrative dissolution of qualified entities when there's unpaid minimum franchise or annual tax.

The positions are needed to implement and perform tasks related to the analysis and processing of these administrative dissolutions.

At this time, I would like to ask for your approval and I would be happy to answer any questions you may have.

ACTING CHAIRPERSON STOWERS: Comments or questions?

MEMBER WONG-HERNANDEZ: Only that I will be laying off, as this goes through our process without prejudice, obviously.

ACTING CHAIRPERSON STOWERS: Okay. Thank you.


ACTING CHAIRPERSON STOWERS: I second that motion.

It passes 2/0, noting Department of Finance abstaining.

MS. WEISS: Thank you.

ACTING CHAIRPERSON STOWERS: The second item for us is contracts over $1 million. We have Michael
Banuelos.

MR. BANUELOS: Hi. Good afternoon, Board Members. It's very nice to see all of you. The previous topics have gone smoothly. I hope to continue that trend.

My name is Michael Banuelos and I'm the director of the Franchise Tax Board's Procurement Bureau.

I'm here today to present a proposed contact over $1 million for your consideration and approval. Similar to many other state departments, the Franchise Tax Board uses the state's master agreement for unarmed security guard services. The state's master agreement, as well as FTB's subsidiary agreement, expires on January 31st, 2019.

The Department of General Services is currently conducting a bid to establish a new statewide agreement. It's DGS's intent to award multiple agreements for these services; and the estimated term will be three years with four one-year extensions at the option of the state.

FTB is requesting approval to leverage the proposed new master agreement to continue contracting for these services. Similar to the proposed master agreement, FTB's subsidiary agreement will be for three years with up to four one-year options. FTB spends
approximately $3.4 million per year, per fiscal year, for these services.

And at this time, I am asking for your approval, and I would be happy to answer any questions you may have about this contract.

ACTING CHAIRPERSON STOWERS: Any questions?

May I have a motion, please?

MEMBER RUNNER: Move adoption.

MEMBER WONG-HERNANDEZ: Second.

ACTING CHAIRPERSON STOWERS: It's been moved and seconded to approve the contract.

Without objection, the motion passes.

MR. BANUELOS: Thank you all very much.

ACTING CHAIRPERSON STOWERS: Thank you.

Item 5. This is the Annual Report, Education and Outreach and Taxpayers' Bill of Rights.

First we have Susan Maples and Alvaro Hernandez presenting a staff report on education and outreach and 2018 accomplishments.

Ms. Maples?

MS. MAPLES: Thank you, Deputy-Chair Stowers, and good afternoon, Board Members.

My name is Susan Maples, and I'm the Taxpayer Rights Advocate. And with me today is Alvaro Hernandez, the manager of our Education and Outreach Program, who,
by the way, is also celebrating a milestone birthday today.

Ahead of today's Bill of Rights hearing, we would like to share some information with you about the Taxpayers' Rights Advocate Office, what we do, and some of the important products we deliver. Today we plan to share information with you about what's in the department's annual report to the legislature and why it's worth the read; our education and outreach efforts, including who we are talking to and what we're talking about; our online publication, "Tax News," and the information we include, which has helped increase our readership by over 150 percent over the last few years; and finally, some of my office's 2018 accomplishments.

The annual report is mandated by the Taxpayer Bill of Rights and must be submitted to the legislature each year by December 1st. My office coordinates the department -- with the department's business areas to write and assemble the report. A copy of the 2018 report is in your binder.

The report identifies the areas of greatest taxpayer noncompliance and what the agency could do to improve taxpayer behavior in these areas. It also highlights our education and outreach efforts, which Alvaro is going to share with you in a minute, as well
as some of the department's more significant initiatives and projects.

Today, however, I would like to focus on the section of the report that I write each year, entitled "Advocate's Address." My address -- in my address, I follow up on the Taxpayer Bill of Rights hearing requests; systemic issues we have worked on during the year; and areas where the department has made significant improvements in reducing taxpayer burden, but also places where the agency can do more.

In this year's "Advocate Address," I talk about the power of attorney process and how important the taxpayer's right to representation is. Working closely with the department and our external stakeholders, we helped find solutions to speed up POA processing and ensure taxpayers are not adversely affected by our POA processing time frames.

Filing enforcement was another area highlighted in my address. At last year's hearing, your Board heard two concerns regarding the Filing Enforcement Program. The first one was the department's policy in accounting for payments held in suspense. In response to this issue, we confirmed that all withholding credits plus any estimate payments associated with a specific taxpayer are applied in calculating the tax due.
In addition, the Department undertook a pilot program to notify taxpayers, who haven't filed a return, that they may have unclaimed withholding or estimate payments.

The second issue involved using occupational licenses as an economic indicator of a filing requirement. The Filing Enforcement Program is currently studying the performance and effectiveness of occupational licenses, which is scheduled for completion in 2019.

Meanwhile, my office has worked with the Filing Enforcement Program to modify procedures for taxpayers who have shown that they do not have a filing requirement -- say, because they have moved outside of California -- so that they are contacted less frequently every three years instead of every year, reducing taxpayer burden.

Other areas I touch on in my address include our Offer and Compromise Program, and the work we've done with our Accounts Receivable Management Division to make the process more transparent;

A protest update noting that our oldest inventory of cases isn't growing;

And, finally, case resolution. While Executive and Advocate Services, which is not part of the
Taxpayers' Rights Advocate Office, handles most requests for advocate assistance, my staff does get involved in certain cases where we believe there may be a systemic issue or if there are other procedural or policy changes that should be recommended to business areas to reduce taxpayer burden or protect taxpayer rights. This year, the "Advocate Address" highlights three such cases.

And now I will turn it over to Alvaro to talk about education and outreach.

MR. HERNANDEZ: Thank you, Susan.

And good afternoon, Board Members.

Next, we would like to share some information about the education and outreach efforts that we've undertaken. Our education and outreach section works with the department to get valuable information out to taxpayers. We provide information about FTB's programs, processes, services, and other timely information.

One of the ways in which we provide this information is by participating in education and outreach events throughout the state.

This chart provides you a visual of the number of events that we have participated in over the last six fiscal years. You can see, there's been some ebbs and flows over the last couple years, but, on average, we participate in 130 events. This last year, we did 126.
In this next slide, we break up our audience into three categories. The first category is that of the tax practitioner and tax professionals such as tax attorneys; accountants and CPAs; enrolled agents; California Education Council, CTEC; registered tax preparers; and other organizations for tax professionals.

We have presented to organizations such as the California Society of CPAs; the Korean-American Association of Accountants; the National Association of Black Accountants; the California Society of Enrolled Agents; and the Latino Tax Professional Association, just to name a few.

Last year, we attended a total of 60 tax preparer/tax professional events throughout California, with nearly 5500 attendees.

Our next audience category is the small business and industry groups. These groups consist of individuals interested in starting, growing, or closing a business.

To reach out to these groups, we partner and participate in small business seminars sponsored by the California Department of Tax and Fee Administration; the IRS; Small Business Administration; the Mexican Consulate, where we have done Spanish seminars, and last
year we participated in five Spanish seminars; and the Bureau of Cannabis Control.

Given that cannabis laws changed last year, there was a lot of interest from this industry about income taxes for the different entity types. We participated in ten cannabis-related events.

Overall, we attended 50 small business and industry group events throughout California with over 5,000 attendees.

Our last audience category is taxpayer outreach, where we attend a variety of different types of events to provide information and resources directly to taxpayers. We attended financial literacy events; immigrant resource forums; Southern California State Fair; Earned Income Tax Credit events; and we also attended events sponsored by elected officials, including members of Congress and members of the California State Assembly and Senate.

We attended a total of 16 of these types of events with just under 1400 attendees.

This next slide shows you how we distribute our participation and education and outreach events with the -- with our audience. When we combine the small business and industry groups with the taxpayer outreach, it reflects 53 percent of our education and outreach activities.
efforts directly to taxpayers, while 47 percent of our
efforts are to the tax practitioner and tax professional
community. The information we provide them then extends
out to the taxpayers exponentially.

Susan will now share with you some of the
information or some of the topics that we discuss with
tax practitioners and tax professionals.

MS. MAPLES: As a frequent speaker at our
education and outreach events, I always talk about the
Taxpayers' Rights Advocate function and taxpayer rights.
My staff and I encourage tax professionals and their
clients to contact our office with issues they feel need
attention.

Other issues we cover include how to obtain
advocate assistance for individual account matters by
contacting Executive and Advocate Services directly;
important information about the annual report and Bill
of Rights hearing; as well as the best ways to
communicate with FTB.

We also encourage taxpayers and tax professionals
to consult our online dashboard that displays current
call center and chat wait times so that they know the
best days and times to contact us.

We share relevant information with tax
professionals, such as planned changes to the Schedule
CA due to federal tax reform; changes to the Form 540 amended return, allowing it now to be e-filed; updates to legislation, such as changes to the Earned Income Tax Credit; information on identity theft; and, of course, updates on MyFTB changes; and power of attorney processing.

MR. HERNANDEZ: At small business seminars, we share information about the Earned Income Tax Credit and discuss the different forms of ownership and their representative filing requirements. This includes information for sole proprietors, partnerships, corporations, and limited liability companies.

We have presented more in-depth seminars on LLCs, where we discuss the difference -- the different classifications of an LLC and their respective filing requirements.

And at taxpayer outreach events, we have presented "Understanding Your State Taxes" to share general income tax filing information.

Another vehicle that we use to provide education and outreach information is through our "Tax News," our online monthly publication. As Susan mentioned, it has grown over the years, and it has currently over 30,000 subscribers. Though our target audience is the tax practitioner and tax professional community, we have
extended the -- to include -- expanded to include small
business owners, representatives from federal and state
agencies, and members of other professional groups.

One of the things we have done recently is to
leverage our partnerships and include articles from
other agencies, including the IRS; the Secretary of
State; the California Department of Tax and Fee
Administration; Employment Development Department; the
Governor's Office of Business and Economic Development;
and the State Treasurer's Office.

In addition to articles, we have short videos on
different topics. The latest "Tax News" live video is
on FTB's Offer and Compromise Program. It's a quick
video that describes the program and directs the viewers
to our website for more information.

I'm highlighting one of our other videos on how
to close a business entity in California, because it has
received over 30,000 views, or nearly 30,000 views, in
the last two years, far exceeding views of our other
videos. This reflects a large interest in this topic
and ties into the recent legislation passed about
dissolution and cancellation of a business entity.

We will continue to work with our program areas
to develop new videos that will provide valuable
information to our taxpayers.
We have also started doing realtime videos using Facebook -- Facebook Live, I should say. These are short one- to two-minute videos on specific topics, where the Facebook Live video listed there addresses cash-based businesses, such as a cannabis-type business, where we talk about record keeping tips that they can use.

Once the video went live on Facebook, we posted it to Twitter and then made it available on YouTube. So as you can see, we use the various social media outlets available to share our information.

The chart reflects -- this chart reflects the types of articles that we provide through our "Tax News." As you can see from the chart, our top three are self-service, filing information, and hot topics.

Self-service is made up of 16 percent of the articles, which include articles about MyFTB, refunds, electronic payments, and interactive voice response skip-a-payment options.

Filing information made up 17 percent of the other articles, and we provided information about forms, due dates, disaster information, extended hours, and filing season updates.

And finally, hot topics made up 19 percent of the articles and included articles on cannabis, fraud, power
of attorney, tax information authorization, and
market-based sourcing.

MS. MAPLES: Finally, I would like to wrap up
with some 2018 accomplishments:

This year, we were able to establish a policy at
FTB, outlining the importance of the power of
attorney-client relationship, and directing FTB staff to
work with a representative on all matters within the
scope of the representative's authorization.

We also work closely with our partners in the
Filing Division, Secretary of State, and GO-Biz, to
include the business dissolution/cancellation process.
This included education and outreach to improve the
consistency of language between the agencies, and a
legislative proposal, which is now law.

One of the accomplishments that will impact my
office directly was the work we did to set up the
Taxpayer Appeal Assistance Program, or as we like to
call it, TAAP. Beginning January 2019, it will become
part of my office because of the independence we have
from the rest of the FTB and will ensure the
continuation of this vital program for taxpayers.

Without TAAP, taxpayers would have to face the
Office of Tax Appeals alone, hire representation that
ey may not be able to afford, or just give up and pay
a disputed bill.

Another area where our outreach will have a positive impact is the Gig Economy Tax Center webpage. We worked closely with the department's Management Development Team to create and launch content that is now available on the Taxpayer Rights Advocate page. This webpage provides valuable information about the tax aspects of the gig economy to the estimated 25 percent of workers who now have an alternative work arrangement.

In closing, I would say that it's definitely been a busy year, and with all of the changes to federal law, I expect 2019 to be the same.

And with that, we would be happy to answer any questions you may have before Alvaro heads off to celebrate his birthday, and continue on with the Taxpayer Bill of Rights hearing.

ACTING CHAIRPERSON STOWERS: Thank you.

Any questions?

MEMBER RUNNER: Just a quick comment.

I'm glad to see the pick up of the TAAP office. I certainly -- you know, through my experience with the BOE, understood well their help and support they give the taxpayers, I think particularly with the change in OTA and the challenges that are there. I think it's going to be a particularly important opportunity so I
think it's very helpful to taxpayers.

    MS. MAPLES: Thank you.

    ACTING CHAIRPERSON STOWERS: I want to go back. You talked about a pilot project for notifying taxpayers if they had an estimated tax payment.

    MS. MAPLES: Yes. We have a couple of different things. I'm sorry, I didn't mean to cut you off.

    ACTING CHAIRPERSON STOWERS: Yeah. That was -- I was just really curious. Are you guys still evaluating it? Is it something that you are considering to make it permanent?

    MS. MAPLES: We have a couple of different things: We're sending out letters from our legacy systems for those who have estimated taxes or withholding that they have not claimed and have not filed a return. And then we also have another project, which is a form letter that goes out for nonwage withholding or real estate withholding. And we have sent out, I believe, just under 38,000 letters last year, notifying folks that they have withholding on the books and they have not -- and they have not filed a return to claim it.

    So it is ongoing, but I can definitely get you more information about that afterwards.

    ACTING CHAIRPERSON STOWERS: Okay. Thank you.
MS. MAPLES: Thank you.

ACTING CHAIRPERSON STOWERS: Comments?

He can go celebrate his birthday.

MS. MAPLES: All right. Happy birthday.

MR. HERNANDEZ: Thank you.

ACTING CHAIRPERSON STOWERS: Thank you very much.

Now, for the annual Taxpayer Bill of Rights hearing. This is the time set aside for the annual Taxpayer Bill of Rights hearing, as required by section 21006 of the Revenue and Taxation Code. The purpose of the hearing is to allow taxpayers and tax practitioners the opportunity to present directly to the Board any proposals they may have for changing an existing state income tax law.

FTB staff is available to respond to members' questions, which may be raised as a result of the taxpayers' proposals.

Present are Selvi Stanislaus, our Executive Officer; Jozel Brunett, Chief Counsel; Shane Hofeling, Assistant Chief Counsel; and Susan Maples, Taxpayer Rights Advocate; we also have Diane Deatherage and Jahna Carlson from our Legislative Services Bureau.

Staff will analyze the fiscal and administrative consequences of the proposals.

Susan has some introductory comments, and then I
will call the names of the individuals who have indicated that they would like to have a presentation -- or present. You can come forward when your name is called and present your proposal. Each presenter is allowed five minutes for their presentation in order to ensure that everyone has an opportunity to speak.

Susan?

MS. MAPLES: Thank you.

As you heard in the presentation earlier, we have had a very busy year. A lot of time was spent working on the power of attorney process and ensuring that taxpayers -- ensuring the taxpayers' rights to representation, including laying the foundation to allow a smooth transition of the Taxpayer Appeals Assistance Program to FTB.

We have definitely had success but also some challenges along the way and I would like to thank my staff -- Alvaro, Chris, Elinor, Jenny, Lila, Lucius, Mark, and Terri -- for all their hard work. Their dedication and enthusiasm has made this year a successful one, and I cannot thank them enough.

I would also like to thank Selvi and your Board for your continued support throughout the year. Your commitment to the balance between the Taxpayer Bill of Rights and the FTB's obligation to collect the proper
amount of tax owed is extremely important and very much appreciated.

Finally, I would like to thank my partners in the community. Having the support and trust of taxpayers and tax professionals and trade media is key to being an effective advocate.

Before we hear from those who have signed up to speak today, I would also like to mention that we have received some written comments without a speaker signed up to address the Board. Those written comments will be provided to the Board for consideration and will receive a written response from FTB.

We are here to listen to the concerns raised before the Board, because they truly are important to us, and we are committed to responding in writing to all the issues raised by February 1st, 2019.

ACTING CHAIRPERSON STOWERS: Thank you. All right. Thank you, Susan.

At this time, for those who have -- would like to speak, please come up and take a seat behind -- they call it the podium, but it's like a small table. Oh, the podium there. Oh, there is a podium there. And I will call your name in order.

The first speaker is Jenny Wetterman. Did I get that close?
Welcome. You have five minutes to present.

Jenny is from the California Association of Enrolled Agents.

MS. WETTERMAN: Yes, thank you. Can you hear me?

ACTING CHAIRPERSON STOWERS: Yes.

MS. WETTERMAN: I think I am on. Oh, perfect.

Madam Chair, members of the Franchise Tax Board, and our Taxpayers' Rights Advocate's Office.

My name is Jenny Wetterman, and I am the CSEA legislative affairs chair.

We sent a two-page letter to Franchise Tax Board earlier, and I am going to present a synopsis of the four issues in that letter.

I would like to begin with the conformity with federal TCJA provisions. We want to thank Franchise Tax Board Legislative Bureau for hosting the Conformity Stakeholder Meeting in November.

In keeping with that testimony, we believe there are two issues that need to be urgently addressed by the Franchise Tax Board:

One is the Schedule CA and the importance of conformity for itemized deductions. The now three-page Schedule CA requires significant amounts of information from taxpayers to complete, and the complexity of California itemized deductions as they now exist may
actually discourage taxpayers from deducting certain
allowable items.

    We are recommending that Franchise Tax Board
conform to 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. California does not conform, and the
5 million average gross receipts threshold still stands,
which will require those businesses that fall in the
over-5-million-but-under-25-million threshold to keep
two sets of books with -- which would be an incredible
burden on California's small businesses. And that is
why CSEA is asking that FTB immediate -- that we
recommend immediate conformity on this provision for
California legislative (verbatim).

    Our next item is clarification regarding
withholding credits from Franchise Tax Board withhold at
source programs.

    In 2017, our members were reporting issues
associated with how real estate withholding credits were
being applied to a taxpayer's account. These concerns
were brought to Franchise Tax Board in 2017, and they committed to sending letters to taxpayers who had nonwage withholding credits about to expire under the statute of limitations.

We want to thank the Franchise Tax Board's Taxpayers' Rights Advocate office on getting those letters out. They are good letters, and we really appreciate the effort on their part.

We want to add that we would like to ask the amount of the unclaimed withholding credit be included in that letter. We believe including the amount would stimulate taxpayers to claim these credits before the statute expires.

In California, real estate withholding can be significant, and with the way we see it, if taxpayers see the amount, they tend to act faster. Those withholding amounts can actually be more than on a W-2 withholding.

Tying into the withholding issue, we also believe the need for clarification still exists regarding when an amended return is required with -- if the withholding credits have not been claimed on an original return. Our members have reported, they have been advised by a Franchise Tax Board compliance bureau that a manual intervention within their unit is the best means to
achieve credit to the account in lieu of an amended return. We would just like some clarification on the process that you guys would ask that we follow.

The third area of concern for us is with the taxpayer information authorization, or TIAs. And the power of attorney, POAs, for deceased taxpayers.

Our membership reports that it is difficult to secure income and wage or nonwage withholding information to file returns for deceased taxpayers even when executor/administrator to court documents exist. Examples of these documents include letters testamentary or letters of administration will already authorize a person to act as the decedent's fiduciary and sign Franchise Tax Board forms.

Please outline 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.

Our final issue for consideration is with the Franchise Tax Board Voluntary Disclosure Program. There is a glitch in this program due to how the VDP was incorporated into the Revenue and Tax Code. The code 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.

Failed legislation from the last legislative session, SB 1508, would have resolved this.

As California is looking at new definitions of "economic nexus" --

MS. CASEY: Time.

MS. WETTERMAN: -- we recommend that Franchise Tax Board, a legislative or administrative -- we recommend that they consider a legislative or administrative remedy to resolve this glitch.

We thank Franchise Tax Board for its attention to these issues and look forward to your consideration and responses.

ACTING CHAIRPERSON STOWERS: Thank you.

Susan, do you have any comments?

MS. MAPLES: I do. I would like to address a couple of those issues with just a few comments.

MS. WETTERMAN: Oh, I would love to hear.

MS. MAPLES: First, I just want to start by saying that FTB generally believes conformity is a good thing for taxpayers, for tax professionals, and for FTB.

And I also want to thank CSEA for being an active participant in the Federal Conformity Stakeholder Meeting we had last month. It's really important, so we appreciate the fact that you guys participate.
And we're also continuing -- looking forward to continuing working with our partners and external stakeholders to hear your ideas so that we can better focus in on the most important conformity issues as we move forward into the next legislative cycle.

As with regards to real estate withholding, I wanted to tell you that I'm also happy about the letters that are now going out, and I think that we can certainly look into the feasibility of including the amounts on those letters, as well as getting some clarification about when it's more appropriate to file an amended return as opposed to working directly with somebody from the withholding section to get those credits applied. So we can definitely look into that.

MS. WETTERMAN: Thank you.

Any other comments?

CHAIRPERSON YEE: Thank you very much.

MS. WETTERMAN: Thank you for your time.

ACTING CHAIRPERSON STOWERS: Next up, we would like to invite Christine Grab to come to the podium.

MS. GRAB: My name is Christine Grab. I am an individual taxpayer, and I have eight policy change requests:

One, end the policy of withholding estimated tax payments made via credit elect until the taxpayer files
a return. This policy violates R&TC 19363, which states that credit elects must be applied effective April 15th year (verbatim), regardless of filing date. If a taxpayer files late, the FTB then demands payments of monies that would not have been due had the credit elect been applied in compliance with the law, as well as late fees, penalties, and interest. This is the federal crime of racketeering per the RICO Act;

Two, end the policy of withholding estimated tax payments made by married couples until the married couple files a return. The tax codes and counsel advice that the FTB uses to justify this policy say the exact opposite of what the FTB claims they say. Therefore, this withholding practice is illegal. If taxpayers file late, the FTB then demands payments of monies that would not have been due had the payments been applied in compliance with the law, as well as late fees, penalties, and interest. This is the federal crime of racketeering per the RICO Act;

Three, end the policy of assessing licensees with tax liabilities when there is no proof of income earned. If no evidence exists that a licensee has earned income via said license, the FTB assesses the licensee with a tax liability based on the average income that those types of licensees earn. It is up to the licensee to
prove that they didn't earn this money. The FTB has provided no legal basis to justify this policy. Therefore, it should be halted;

Four, clearer definitions of what defines an abatement request. My abatement request for the tax years 2013 and '14 were denied before I applied. I asked Ms. Maples how this could possibly be legal. She responded that the FTB sent me a turndown notice because I informed Gov Ops that I was going to submit an abatement request and that the FTB believes this turndown was reasonable, thanks to their loose guidelines of what defines a request.

The law says that in order for an abatement request to be approved, the taxpayer must provide credible and competent evidence, but I was turned down -- I was turned down due to lack of evidence before I even had a chance to submit my evidence. This policy of loose guidelines is a tool to deny due process to taxpayers. It must be corrected;

Five, having the taxpayer -- having the Tax Appeals Assistance Program, TAAP, overseen by the tax agencies that they are fighting against is a conflict of interest. TAAP provides free student attorneys to taxpayers who are appealing denials of abatement requests from the FTB and CDTFA.
On January 1st, 2019, the FTB and CDTFA agencies will be overseeing their respective TAAP programs. This gives these agencies the power to withhold free representation from the taxpayers who are trying to fight them in court. Without free student attorneys, it will be impossible for most taxpayers to recover unfair fees due to prohibitive attorney costs.

I am requesting that you restructure the Office of Tax Appeals so they can oversee TAAP or another office so they can oversee TAAP;

Six, disclosure of annual Taxpayer Bill of Rights meetings to the general public. This annual Taxpayer Bill of Rights meeting that we are at right now is a California state right. However, the FTB goes to great lengths to hide this right from the general public. FTB representatives are trained to tell taxpayers who complain that there is nothing the FTB can do about changing policies or laws.

When the FTB sends out written correspondence, they will frequently include form 4058 called taxpayer -- California Taxpayer Bill of Rights, which omits information about these meetings. If the taxpayer carefully reads 4058, they will discover that there is another brochure, Form 4058C, also called taxpayer Bill of Rights, which has more information. The taxpayer
then has to locate Form 4058C to find out these meetings exist. Form 4058C contains no directions on how to submit a request. As far as I could find, there are no instructions anywhere on the FTB's website on how to submit a request.

I am asking that the Board implement the following policy changes:

A, add information about how to submit a request to the annual Taxpayer Bill of Rights meeting to Form 4058C;

B, whenever Brochure 4058 is sent, 4058C should also be sent with it;

C, Brochure 4058 should be renamed California Taxpayer Bill of Rights --

MS. CASEY: Time expired.

ACTING CHAIRPERSON STOWERS: Your time has expired. You may have an additional three minutes if you would like to wrap up.

MS. GRAB: Oh, awesome. Thank you.

C, Brochure 4058 should be renamed California Taxpayer Bill of Rights, part 1 of 2; and 4058C should be renamed California Taxpayer Bill of Rights, parts 2 of 2;

D, FTB reps should be trained to tell taxpayers who complain about a policy or law that they can submit
a change request to the annual Taxpayers Bill of Rights meeting.

Seven, acknowledgment of the abatement -- of abatement requests and disclosure of taxpayer rights in the abatement process.

I believe there should be a written notice mailed to all taxpayers who file an abatement request, which acknowledges that the request was received and explains their rights:

A, that the FTB has six months to respond;

B, if you were turned down, you have the right to file an appeal and can possibly access a free TAAP attorney;

C, if you do not receive a response within six months, you still have the right to appeal and can possibly access a free TAAP attorney.

Eight, move the Taxpayers' Advocate to work under Gov Ops. Having the Taxpayer Advocate employed by the tax agency -- by the tax -- taxation agencies they are supposed to be protecting taxpayers from, is a conflict of interest. Protecting the revenue is the FTB's number one priority. While the Taxpayer Advocate does have the power to make changes to favored taxpayers, doing so would reduce the revenues that her employer generates. It's not fair to her to be in a position of divided
loyalties.

I understand that this request requires a change in legislature [sic]. I am requesting that Ms. Maples and the FTB Board of Directors work together with my state representatives to put together a bill to propose in the next legislative session that will include the following structural changes:

A, instead of one advocate per taxation agency, there should be one advocate per district that works with all the agencies;

B, the advocate should work under Gov Ops and have a support staff;

C, Gov Ops need to be given real oversight power;

D, the advocates must have authority and power to make changes to unfair policies. The assorted advocates would have to regularly meet to discuss potential policy changes and vote on whether to make said changes.

Thank you very much.

ACTING CHAIRPERSON STOWERS: Thank you.

Thank you. FTB, do you have any comments?

MS. BRUNETT: Yes. Just quickly, I just want to assure the Board that my staff and I have reviewed the policies and the -- and the procedures that Ms. Grab has mentioned, and that we are in full compliance with the law. But we definitely do thank Ms. Grab for her
comments, and the Taxpayer Advocate will take them into consideration in the normal process.

ACTING CHAIRPERSON STOWERS: Thank you.

Susan, do you have any comments?

MS. MAPLES: I do.

I wanted to address the disclosure of the annual Taxpayer Bill of Rights meeting.

First, I would like to thank Ms. Grab for her suggestion and assure her and this board that the Taxpayers' Advocate Office and FTB do not try to limit, hide, or discourage the citizens of California from participating in the annual Taxpayer Bill of Rights process.

The law provides for the annual hearing before the Board where industry representatives and individual taxpayers are allowed to present their proposals on law changes. This is a public meeting held each December. Taxpayers are not required to submit anything in advance and members of the public who wish to speak at the meeting need only to attend, sign up, and speak during their allotted time.

As the result of Ms. Grab raising this issue last year, this year we placed a link to the meeting notice on our home page during the ten-day period preceding the meeting, in addition to its normal posting on our "News
and Events" tab.

In addition, as we mentioned earlier in our education and outreach presentation, the Taxpayer Bill of Rights hearing and its importance is something -- and its importance is something that we cover in every presentation that we give.

We appreciate Ms. Grab's suggestions for the Form 4058 and 4058C, and we will consider her recommendations during the FTB's annual review of its publications.

I would also like to address her request to end the policy of assessing tax liabilities with the Occupational Licensing Program and mention that Revenue and Taxation Code section 19087 provides FTB with authority to propose an assessment from any available information which indicates that the taxpayer who fails to file a return has a filing requirement for a particular tax year.

Furthermore, the Board of Equalization has held in its decisions that FTB has great latitude in estimating income when a return has not been filed by a taxpayer, including using third party information to estimate income. As such, Revenue and Taxation Code 19087 allows FTB to use third party information, such as occupational licenses, to estimate taxpayers' income.

In addition, as I mentioned in my "Advocate's
Address" of the annual report, the Filing Division is currently studying the overall performance of occupational licenses in an effort to improve the quality of context to potential nonfilers. The estimated date for completion of this study is in 2019, and while we won't have much to share in February, when the hearing responses go out, we should definitely have an update for your Board with the next annual report.

Thank you.

ACTING CHAIRPERSON STOWERS: Thank you, Susan.

Okay. Next, I would like to invite Mr. Dennis Loper up to the podium.

MR. LOPER: Thank you. My name is Dennis Loper. I'm here on behalf of the Bechtel Group, a closely held corporation.

I'm here today to request that the Board direct staff to develop legislation to bring some certainty to the -- to the other states' tax credit, as applied to California residents who pay the Texas Margins Tax.

As you may recall, I've expressed some concern at previous (verbatim) of FTB staff being a little bit inconsistent in views on this issue, and, further, that the staff recently changed its position to the detriment of many California residents who pay the Texas tax.

Therefore, I would like to ask the Board to
direct staff to develop a legislative proposal on the
OSTC to avoid a double tax on California residents under
these circumstances.

I have given Ms. Maples, on our end, a draft
legislation that we suggest and we would say that we're
open to any response to that draft legislation, but --
and we don't believe you stop the rule making process.
I think the two can go hand in hand, and, frankly, we
think the legislative proposal will -- may move faster
with the rulemaking process behind it.

Thank you.

ACTING CHAIRPERSON STOWERS: Thank you,
Mr. Loper.

The Board will consider your proposal and respond
through our regular Taxpayer Bill of Rights process.

On the 2019 rulemaking calendar, there is a
regulation project concerning other state tax credit.

FTB, do you have an estimated time frame on when
the IP meeting, interested parties meeting, will be
held?

MS. BRUNETT: Yes. Thank you, Madam Chair.

We plan to work toward having our first
interested parties meeting in late spring/early summer,
of next year.

ACTING CHAIRPERSON STOWERS: Thank you, Jozel.
Next speaker. Next up, I would like to invite Lynn Freer of Spidell to the podium.

MS. FREER: Good afternoon, Board Members, Selvi Stanislaus, and your staff. We appreciate you having this meeting so that people can bring their concerns and questions.

And I have just a short -- a fairly short list this year, although I do echo CSEA's comments about conformity.

The first item I have here is the "Larsen" case. This was recently decided by the OTA. And it mirrors some questions and concerns we have had from our seminar attendees and subscribers regarding nonresident sole proprietors who have no physical residence in California, and whether or not market-based sourcing would apply to those businesses.

Under Revenue and Taxation Code section 17951-4, a nonresident is only taxed on income from a business conducted solely within California in which case all the income is sourced to California; for example, a Nevada resident attorney whose only office is located in California. Or if a nonresident is -- a nonresident's business is conducted -- and underline "conducted" -- is conducted both inside and outside of California, the business is apportioned to California based on the
corporate apportionment rules including market-based sourcing.

   Here's the -- here's the key. It's another situation of an un-defined term and the un-defined term is -- is "conducted."

   In the "Larsen" case, the Office of Tax Appeals ruled that because the taxpayer was doing business in other states, but never actually was physically present in California, that the market-based sourcing rules did not apply and he was not subject to California tax on income from California customers who benefited from the services in California. It's interesting that this seems to be a bit intertwined with a nonresident withholding, where the publication and the regulations address the fact that a nonresident independent contractor, you only withhold on them based on the number of days worked in California, versus total number of days, which is in direct conflict with the market-based sourcing rules.

   So what we would like to have is guidance on the issue and an analysis and possibly a change of position, unless there's a change of law, for those nonresident taxpayers providing services to California residents.

   The next issue we have is -- we brought it up last year; we bring it up again. And it's the audit
time frames. During the year the Franchise Tax Board
issued a notice regarding the protest timeline and
increased the amount of time that they would take to
resolve protests, but in the meantime, we're still
getting complaints from taxpayers who've been in audit
on relatively simple issues for extended periods of
time.

One of the -- recently, one of our
representatives contacted -- there was an audit that
began in June of 2017. It was a 1031 exchange audit.
The practitioner got the -- all of the information in to
the auditor within 30 days. And toward the end of the
year, I believe it was, the -- the -- they were
contacted by the auditor, I believe, the beginning of
2018, who said that he had recommended a no change, that
it was going to review. It's still in review, and the
last we heard was that the review staff had requested
another year because there was a subsequent exchange
after that.

The auditor is not a new auditor. The auditor
was not transferred, was not out on a lengthy time. So
all of the typical reasons why audits don't get done
don't apply in this situation.

And as I said, we do still get letters from --
contacts from our clients. So we would really like to
see an improvement in this area.

That said, we have three things that we're very happy about:

First of all, we're pleased that the Franchise Tax Board pushed again and again and finally was able to get legislation for administrative dissolutions. It's going to cut down on the accounts receivable that are on the books, that are really not there at all. They are sort of phantom income that everybody knows is never going to be collected and it's going to take a huge burden off of the taxpayers who only formed an LLC or a corporation because their nephew, Bertie, just got his law degree, and those papers sit in the desk for years and years. So we appreciate that.

Also, we commend the Franchise Tax Board on their quick resolution of the power of attorney two-step process disaster. After I talked with Susan Maples and her staff, they quickly got me together with the folks on that project and came up with what I believe is a very good solution to protect the security of the taxpayer, but also make it easy to get help for -- for a representative.

Finally, I would specifically like to thank Jahna Carlson and the FTB attorneys who -- who did the conformity meeting. It was very valuable, and we got
good information from you folks, and I believe that there was a lot of great information that was put forth in that meeting.

And finally, I would like to thank Bruce Langston for all the years and all the great work he's done. We've had a few -- a few set-tos over the years, but I think of him as a very trusted and valuable friend and associate.

So good luck to you, Bruce, and thank you for all you have done.

I'm done.

ACTING CHAIRPERSON STOWERS: Thank you. Thank you very much.

MS. FREER: They always say, have a good close.

ACTING CHAIRPERSON STOWERS: Susan, do you have any comments?

MS. MAPLES: I do.

I just wanted to thank Lynn for bringing the first issue on the Appeal of Larsen to the Bill of Rights hearing. I know that market-based sourcing, those issues continue to be ones where we frequently get questions and requests for clarification.

And as a result of that, Jozel is going to be putting a "Tax News" article in her Chief Counsel Corner in the next few months, giving some guidance in light of
this new decision.

And then secondly, with regard to the audit time frames, I know that the goal for audit continues to be closing those cases within two years, and I did ask about that. And they said that 88 percent of those cases are within the two-year time frame. But, you know, recently, as you know, we did get a new Audit Division Chief, and I know both of us appreciate the fact that Spidell is bringing these issues forward. And we look forward to working with you to better that audit experience wherever we possibly can. So thanks, Lynn. Appreciate it.

MS. FREER: Thank you. It's always nice to have a good audit experience.

ACTING CHAIRPERSON STOWERS: Thank you very much.

MS. MAPLES: We do what we can.

MS. FREER: Thank you.

ACTING CHAIRPERSON STOWERS: Well, that concludes the 2018 Taxpayers' Bill of Rights hearing.

Item 6, Executive Officer Time.

EXECUTIVE OFFICER STANISLAUS: Thank you, Madam Chair. For my time today, I would like to congratulate our Chair, State Controller Betty Yee, who just won four more years in her post. The voters of California clearly recognize your experience and expertise when it
comes to state finance.

When endorsing you for reelection, Diversified Press Enterprise called you a competent and forward-thinking Controller. And went on to acknowledge your steadfast focus on what can be done today about tomorrow's challenges. We are honored to have you chair this body for another four years and look forward to your continued strong leadership.

And now Senator Runner. Senator Runner also has had a distinguished career in elected office. He won a seat on the Lancaster City Council, later serving on -- as vice mayor, and then mayor; then went on to win seven different elections that sent him to the state assembly, the senate, and the BOE, the Board of Equalization, which is how he joined us at the FTB this past year.

Senator Runner, the voters have clearly shown you support. The taxpayer community also owes you a great deal of thanks. You have been a tireless advocate for taxpayers regardless of their income or the industry they come from. Through your career, you have been a strong public servant. I am quite sure this will continue in some form or fashion long into your retirement years.

Congratulations on an exemplary career of service.
MEMBER RUNNER: Thank you, Selvi.

EXECUTIVE OFFICER STANISLAUS: And then also, finally, Member Jacqueline Wong-Hernandez, thank you for your guidance and support and we look forward to working with you in 2019.

On a personal note -- that's from me -- I want to congratulate you on the impending birth of your bundle of joy. Congratulations.

ACTING CHAIRPERSON STOWERS: Thank you, Selvi.

Now we're moving on to Item 7, Board Member Time.

Member Runner.

MEMBER RUNNER: I just want to say, I enjoyed my time. Gave me a new glimpse of, certainly, the time spent here with the FTB, especially the time that we were able to do some touring, and certainly the issues before the Board.

Thank you.

EXECUTIVE OFFICER STANISLAUS: Thank you.

MEMBER WONG-HERNANDEZ: I would just say thank you also, to staff, for all the time that you all have spent with me this year, getting me to understand the ins and outs of your issues. New to this area. And looking forward to working with everybody next year.

ACTING CHAIRPERSON STOWERS: Thank you.

Okay. On behalf of Controller Yee, I too would
like to thank Senator Runner for your service to this
board and to the State of California. Although it was
brief, it was very valuable. Between you and your
staff, you guys provided valuable input and thought
provoking questions regarding tax policy for this
agency. It's been a pleasure working with you and your
staff. A shout-out to Sean. It's been a pleasure.
Barbara, she's not here. David, not here. Mai, Drew,
Tanya, Brian, Lee, and Michelle, who is over at OTA.
You have a great staff.

MEMBER RUNNER: Thank you.

ACTING CHAIRPERSON STOWERS: It's been really
fun.

I would also like to thank the Department of
Finance, especially Jackie, for providing valuable
service to this board. I look forward to working with
you next year on this board and our other board that we
share.

And a big thank you to Selvi and your executive
team and all of FTB. Throughout the year, you have
fulfilled your mission to help taxpayers file their tax
returns timely, accurately, and pay the correct amount
to fund services important to California. Over the past
12 months, you have led with integrity and inspiration,
resulting in excellent service in your program areas,
including the following: A seamless transition of tactical workload from the BOE to the Office of Tax Appeals; a filing season that included award winning Customer Service's Dashboard; increasing the call center access up to 92 percent; and receiving refunds -- 92 percent of refunds received in 14 days; very successful litigation in tax cases; successful management of your accounts receivables. And although we just heard that there's some glitches, there has been a "reduce" in your audit and protest time frame. And the new audit chief got you work -- got your work out there; successful implementation of the cannabis as it relates to income tax; modernization of your tax system, moving forward with EDR2; and excellent service from our taxpayer rights advocate and the Executive Advocate Services, with the following superstars: Margarita, Kay, Alex, Eric, Chris, Shelly, Malvero, Brian and Ruth. You guys provide excellent customer service whenever I call. Thank you very much.

All right. Still Board Member time, huh?

All righty. We have some retirement resolutions. The first resolution is Laureen -- I'm sorry. Laureen Philipp. Come on up.

(Applause)

ACTING CHAIRPERSON STOWERS: Ms. Philipp has
faithfully served the people of the State of California
for the past 30 years, most recently as the director of
the Field and Compliance Account Collection Bureau for
the Franchise Tax Board; and

Ms. Philipp, whereas -- can't forget the
"whereas."

WHEREAS, Ms. Philipp began her career in early
1989 as a FTB compliance rep, which she believed would
be a short stay, moving on to bigger and better things.
But it didn't take her long to realize that she had
already landed at the corner of "bigger" and "better";

WHEREAS, Ms. Philipp is held in warm esteem by
all who -- all who have had the pleasure to work with
her and who have benefited from her mentorship that
encouraged investing in yourself, to listen more, talk
less, to build strong relationships, and to be an
exceptional team player; and

WHEREAS, Ms. Philipp, one of ten children --
Christmas must be special -- never forgot her family's
humble beginnings and the life lessons that come from
struggles that shape a lifetime of ethics and kindness
to others; and

WHEREAS, Ms. Philipp strongly encourage all of us
to not "retire" -- but rather to "rewire" -- I like that
one -- and leave one public servant role and move to
another place to serve where your passion and talents collide; and

    WHEREAS, when Ms. Philipp is not serving, she'll be traveling with best friend and husband, George, while proudly watching her lovely daughter Maya finish high school and move through her college years; and

    NOW, THEREFORE, LET IT BE RESOLVED, this tenth day of December, two thousand and eighteen, by the Franchise Tax Board, that we recognize Ms. Philipp, on her occasion of retirement, for her professional and personal dedication to the Franchise Tax Board and, most importantly, to the people of the State of California.

    (Applause)

    MS. PHILIPP: Thank you.

    Thank you, Board Members. I am proud of all that I have accomplished in my career, but now it is time to rewire and to experience some new things.

    It's been an honor to serve Californians through my 30-year career in state service, which has all been here at the Franchise Tax Board.

    I've had the opportunity to address the Board several times and regardless of who has been sitting in those chairs, I have always felt supported by our board members. Whether I was talking about the Innocent Spouse Program, the Top 500 Program, or discussing the
implementation of cannabis laws, I could always look
across and see one of you nodding with support and
encouragement, and that has always made me feel like you
were really on my side, on the side of FTB, cheering me
on, willing me to succeed, and I want to thank all of
you for that.

So Selvi and the Governance Council, thank you
for the opportunities you have afforded me over the
years. Your trust, encouragement, and mentorship have
been invaluable.

To the rest of my FTB colleagues, you are some of
the smartest, most highly skilled, hardworking, and
compassionate people, not only in state government, but
anywhere. Thank you for your friendship, teamwork, and
the laughs over the years. I wish you all of the best.

To my husband, George, I could not have had the
career I had without you. You adjusted your own work
schedule, did double parent duty when I had to travel
for work, and you rubbed my shoulders at the end of long
days as I sat silently fretting about things I couldn't
discuss, and you kept me grounded in the one thing that
is most important in my life, our family. Team Philipp
forever.

Thank you.

(Applause)
ACTING CHAIRPERSON STOWERS: Okay. We're going
to have another retirement resolution.

Fred? Where are you, Fred? Come on down.

(Applause)

ACTING CHAIRPERSON STOWERS: Fred

Fred Campbell-Craven.

WHEREAS, Mr. Craven -- Campbell-Craven -- oh,

have a seat. Sit down first. I won't push you out so
quickly. Comfortable?

Fred Campbell-Craven has faithfully served the
People of the State of California for the past 23 years,
most recently as Deputy Chief Counsel for the Franchise
Tax Board Multistate and Business Entity Tax Bureau in
the Legal Division;

WHEREAS, Mr. Campbell-Craven began his career in
1995 working his way up from a bright-eyed tax -- tax
counsel to a highly esteemed Deputy Chief Counsel, all
the while demonstrating professionalism and excellence
at the highest level; and

WHEREAS, Mr. Fred Campbell-Craven's dedication as
an attorney has benefited us all with his sound judgment
in applying the tax law in a fair and unbiased manner
for all parties concerned, with his insights, always
looking to improve FTB's processes to reach the right
result and deliver excellent service to our customers;
and

WHEREAS, Mr. Fred Campbell-Craven has continually lead by example, and his reputation for being a solid mentor and delivering wise counsel is well-known and appreciated by staff; and

WHEREAS, Mr. Fred Campbell-Craven, though he knew the task would be daunting, he rolled up his very long sleeves and contributed significantly to reducing the aged docketed protests, while all the time humming one of his favorite tunes. Do you want to sing a little bit?

MR. CAMPBELL-CRAVEN: I'm guessing, "In My Life"?
I don't know.

ACTING CHAIRPERSON STOWERS: "Copperhead Road"?

MR. CAMPBELL-CRAVEN: "Copperhead Road." Okay, that's a better one.

(Laughter)

ACTING CHAIRPERSON STOWERS: WHEREAS, when Mr. Fred Campbell-Craven isn't doting on his grandchildren, he'll be most likely found rocking out on his electric guitar, herding the farm animals and scouring the internet for the rarest postage stamps to add to his already prestigious collection; and

NOW, THEREFORE, LET IT BE RESOLVED, this tenth day of December, two thousand and eighteen, by the
Franchise Tax Board, that we recognize and thank Mr.
Fred Campbell-Craven, on the occasion of his retirement,
for his professional and personal dedication to the
Franchise Tax Board and, most importantly, to the People
of the State of California.

Thank you, Fred.

(Applause)

MR. CAMPBELL-CRAVEN: Well, I didn't -- I didn't
really prepare any remarks. It seems like I have been
doing this quite a long time, and enough is enough,
probably. I've spent many, many hours on this stage,
teaching classes and presenting to you. And it feels
rather strange that it's all done.

But the two things that I am really left with
is -- is, I am -- I am totally filled with gratitude for
the career that Franchise Tax Board has allowed me to
have. And that's because everybody here, all of us,
regardless of division, regardless of what you do,
regardless of how much you get paid, regardless of how
long you've been here, they are all dedicated to two
things: And number one, in my mind, is to do the right
thing. And that's a real privilege to have a job where
you are allowed to do that and where management backs
you up on that.

I've been in private practice. I've done a lot
of different things, and that's not always the case.
It's something very, very precious.

And the second thing is, everybody here --
everybody I've had the privilege of working with, they
are all dedicated to service, to public service, and
they -- they have put their brains to work on it, their
efforts, their family lives, everything towards serving
their fellow Californians. And that -- that is a real
privilege to be alongside of them.

And that goes to the Board too. I mean, we all
know that you have a very tough job and -- and that you
serve the people. And -- and that's very much
appreciated.

And I -- I think it all comes from leadership at
Franchise Tax Board and that comes from Selvi. That
comes from my favorite boss, the Chief Counsel, who
always backed me up and allowed me to do some kind of
crazy things.

And I want to say something in particular about
Legal. I feel very, very good about the staff we have
at Legal now. They are -- they are very bright. They
are dedicated. They are working really hard. They are
learning. And this isn't easy stuff. We all know -- we
heard some of the stuff here earlier. And they are all
dedicated to doing the best they can for our fellow
citizens. So I think it's time for the old guy to get out of the way and let them do their thing.

So thank you very much.

(Applause)

ACTING CHAIRPERSON STOWERS: Thank you, Fred.

(Applause)

ACTING CHAIRPERSON STOWERS: Okay. We have one more. But before we do that, I need to back up a little bit. Come on, Bruce.

But we did Ms. Philipp's resolution. And it's very important to acknowledge family members that help us in our job. So I would like to acknowledge that her husband is here in the audience, George. Her mother-in-law, Suzi, and her nephew, Kevin. Please stand.

(Applause)

ACTING CHAIRPERSON STOWERS: And for Fred, I believe your wife was in the audience? Hello. Thank you for loaning him to us.

(Applause)

ACTING CHAIRPERSON STOWERS: Okay. Now we have Bruce. Bruce is here.

Joining Bruce today is his son, Steven, and watching via live stream is his wife, Loretta, and their son, Tom. Hello.
WHEREAS, Mr. Bruce Langston faithfully served the people of the State of California for the past 36 years, most recently as Assistant Chief Counsel of the Technical Resources Bureau for the Franchise Tax Board; and

WHEREAS, Bruce's career began at Aerojet in 1982, on a surplus orange metal desk on top of a 4x4 square-foot tile footprint of prime real estate;

WHEREAS, Bruce immediately began making an impression when he slowly, day-by-day, inch-by-inch, scooted his desk into the Aerojet hallway space to increase his perceived importance, as he scratched away on a pink message tablet and yellow legal pads, since this was long before the advent of email or electricity.

(Laughter)

ACTING CHAIRPERSON STOWERS: I didn't write this.

(Laughter)

ACTING CHAIRPERSON STOWERS: WHEREAS, Bruce dedicated long career spans -- two terms of the Brown Administration, "one-time only" Tax Amnesty Program -- one time only, um-hmm. 148 appeals, 51 published legal rulings, dozens of litigated cases, countless briefs, and a partridge in a pear tree;
WHEREAS, Bruce is a long standing member of MENSA -- the largest and oldest society for those with freakishly high IQs -- which is a striking contrast to his low-brow taste in movies, which includes titles such as "The Princess Bride";

WHEREAS, when Bruce is not succumbing to the utter boredom of retired life, he'll be dabbling in landscape architect (verbatim) -- I could use some help -- traveling to Europe with his wife, Loretta, and playing amateur genealogist as he tracks down his long-lost ancestors, who would probably prefer to remain long-lost;

NOW, THEREFORE, LET IT BE RESOLVED, this tenth day of December, two thousand and eighteen, by the Franchise Tax Board, that we recognize and thank Mr. Bruce Langston, on the occasion of his retirement, for his professional and personal dedication to the Franchise Tax Board and, most importantly to the people of the State of California.

Thank you, Bruce.

(Applause)

ACTING CHAIRPERSON STOWERS: Would you like to make any comments?

MR. LANGSTON: Thank you, everyone.

Well, do you know, it's been an interesting and
challenging career. You know, I brought my clipboard, which those of you who know me, I always carry a clipboard around, and I get teased about it. But, you know, I had the opportunity to participate in so many projects and have seen so much change in FTB.

As Yvette pointed out, when we started, there was no e-mail, we didn't have computers, everything was paper memos, and it's just amazing to me how things have changed. And I would say change for the better, with technology and all of the projects and all of the implementation teams and everything I've been on over the years, battling with Spidell and Lynn about all sorts of issues.

And then for the last five years, as you know, I was the board attorney, and my advice to everyone, when they prepared for these meetings, was, keep it short and get to the point, and that's what I will do.

So thank you, everyone, for this 36 years.

ACTING CHAIRPERSON STOWERS: Thank you, Bruce.

(Applause)

ACTING CHAIRPERSON STOWERS: Okay. Before we adjourn, do we have any other comments, Members?

No?

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Seeing no other business before the Board, we are adjourned.

(Applause)

(Proceedings concluded at 2:50 p.m.)

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CERTIFICATE OF REPORTER

I, KATHRYN S. SWANK, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing audio and video proceedings were reported in shorthand by me, Kathryn S. Swank, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said proceedings nor in any way interested in the outcome of said proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of March 2019.

/s/ Kathryn S. Swank
KATHRYN S. SWANK, CSR
Certified Shorthand Reporter
License No. 13061