

STATE OF CALIFORNIA

FRANCHISE TAX BOARD

PUBLIC MEETING

THURSDAY, SEPTEMBER 9, 2021

1:33 P.M.

HELD VIA VIDEOCONFERENCE

AND

VIA TELECONFERENCE

REPORTED BY:

KATHRYN S. SWANK
CSR NO. 13061

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APPEARANCES

(All participants appeared via
videoconference and
teleconference.)

BOARD MEMBERS

BETTY YEE
State Controller
(Chairperson of the Board)

YVETTE STOWERS
Deputy State Controller

ANTONIO VAZQUEZ
Chairperson
Board of Equalization

GAYLE MILLER
Representative for Keely Bosler, Director
Department of Finance

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STAFF

SELVI STANISLAUS
Executive Director

CRISTINA RUBALCAVA
Board Liaison

JOZEL L. BRUNETT
Chief Counsel

SHANE HOFELING
Deputy Chief Counsel

MICHAEL BANUELOS

ELLEN CLEMENTE

WENDY CRAMER

ERIN DENDORFER

MATT FEASTER

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APPEARANCES CONTINUED

STAFF (CONTINUED)

JEANNE HARRIMAN

CHRISTOPHER HICKS

BILL HILSON

ROMAN JOHNSTON

ANNETTE KUNZE

TOM LO GROSSMAN

THI LUONG

RYAN MURAMOTO

CRISTINA RUBALCAVA

CRAIG SCOTT

MANAV SUSHIL

LEAH THYBERG

JACKIE ZUMAETA

---o0o---

PUBLIC PARTICIPANTS

JASON FOX, CalCPA

---o0o---

1 SACRAMENTO, CALIFORNIA

2 THURSDAY, SEPTEMBER 9, 2021 1:33 P.M.

3 ---o0o---

4 CHAIRPERSON YEE: Good afternoon. And welcome on
5 this day of Thursday, September 9th, 2021. This is the
6 date of our statehood for the State of California. And
7 I just want to welcome our Board Members and the public
8 to the meeting of the Franchise Tax Board.

9 This is the scheduled time for the Board meeting.
10 And would the Board Liaison please call the roll to
11 determine if a quorum is present.

12 MS. RUBALCAVA: Good afternoon.

13 Member Vazquez.

14 MEMBER VAZQUEZ: Present.

15 MS. RUBALCAVA: Member Miller.

16 MEMBER MILLER: Here.

17 MS. RUBALCAVA: And Chair-Controller Betty T.
18 Yee.

19 CHAIRPERSON YEE: Here.

20 MS. RUBALCAVA: Thank you.

21 CHAIRPERSON YEE: Thank you.

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

25 If you are able, please stand and join me in the

1 Pledge of Allegiance.

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

4 CHAIRPERSON YEE: Good afternoon and welcome to
5 the Franchise Tax Board's virtual Board meeting.

6 As FTB continues to follow all appropriate
7 federal, state, and local guidance for public
8 gatherings, my fellow Board members and I are attending
9 this Board meeting remotely, and FTB staff is following
10 social distancing best practices.

11 The public has a right to comment on each agenda
12 item. For today's meeting, members of the public may
13 comment via telephone at 1-844-921-4185 with the access
14 code of 9323145.

15 Please be aware, there is a short delay between
16 the web live stream and the live event. If there are in
17 members of the public wishing to speak on an item, you
18 may speak when that item is called and you will have
19 three minutes to address the Board.

20 If there are any members of the public wishing to
21 speak on an item and you are using a translator or
22 translator service, you will have six minutes to address
23 the Board.

24 All speakers will be asked to identify yourself
25 for the record.

1 Members, the first item is approval of the
2 minutes. We have the minutes of the June 3rd, 2021,
3 Board meeting before us.

4 Is there any member of the public wishing to
5 speak on this item on the teleconference line?

6 PHONE MODERATOR: Thank you. Ladies and
7 gentlemen on the phone lines, if you would like to place
8 yourself in queue for public comment, as a reminder, you
9 may press 1, then 0, at this time.

10 (No response.)

11 PHONE MODERATOR: No members of the public are
12 queuing up at this time.

13 Please continue.

14 CHAIRPERSON YEE: Thank you very much.

15 So is there a motion for approval of the minutes?

16 MEMBER MILLER: I move approval, Madam Chair.

17 MEMBER VAZQUEZ: So moved.

18 CHAIRPERSON YEE: Okay. Very well.

19 We have a motion by Member Miller; a second by
20 Member Vazquez to approve the minutes.

21 Without objection, such will be the Board's
22 order.

23 Let's proceed to Item Number 2, which is a
24 presentation on the Diversity, Equity, and Inclusion
25 Team, and a proposed Board resolution presented by Ellen

1 Clemente, Chris Hicks, and Roman Johnston.

2 This is an action item, Members, and we will now
3 hear from the staff for the presentation.

4 MS. CLEMENTE: Good afternoon. Thank you, Madam
5 Chair, and good afternoon, Board Members.

6 It is a pleasure to be here with you today. I am
7 Ellen Clemente, Franchise Tax Board's Equal Employment
8 Opportunity Officer, and one of the sponsors of FTB's
9 Diversity, Equity, and Inclusion Team.

10 With me today is my cosponsor, Christopher Hicks,
11 Director of FTB's Statewide Collections Bureau; and DEI
12 Team Member Roman Johnston, Assistant Chief Counsel with
13 FTB's Legal Division.

14 We will be briefing you on the vision, role, and
15 recent accomplishments of FTB's Diversity, Equity, and
16 Inclusion, DEI, Team.

17 Diversity and inclusion are critical to FTB's
18 mission, workplace, and all Californians. A diverse and
19 inclusive workplace ensures that FTB reflects the
20 communities we serve and enables us to better understand
21 and serve all Californians.

22 The history of FTB's diversity and inclusion
23 efforts can be traced back to the early 1990s. From
24 1993 to 2004, FTB held an annual Diversity Celebration
25 event to support and promote the diverse cultures and

1 individualities of our employees.

2 Other past efforts include the Bring It!
3 diversity campaign, where employees volunteered to share
4 their personal experiences, background, or life lessons
5 that helped them be their best and bring their best to
6 FTB.

7 Our current and ongoing DEI opportunities
8 include:

9 A Multicultural Food and Arts Fair, sponsored by
10 our Mission and Values Team every three years, to
11 showcase the various heritages at FTB through cultural
12 food, and art exhibits and musical and dance
13 performances;

14 In-house diversity awareness training, where
15 attendees explore the benefits of an inclusive
16 workplace, learn techniques to uncover and reduce
17 unconscious bias, and tips for promoting a respectful
18 work climate;

19 Recruitment events at various colleges and
20 community job fairs to attract a diverse candidate pool;

21 And leadership programs, such as the Enterprise
22 Coaching and Mentoring Program and Growing Leaders at
23 All Levels, which promote the adoption of new and varied
24 perspectives and help build more diverse managerial
25 skill sets throughout FTB.

1 In 2020, the DEI Team was created as part of
2 FTB's ongoing commitment to embracing the diversity of
3 our employees. This team is organized under the
4 leadership and guidance of the Organizational
5 Development Action Committee, and builds upon prior DEI
6 activities by developing internal programs, training,
7 and safe environments that promote diversity, equity and
8 inclusion.

9 Our vision of a diverse and inclusive workforce
10 is one in which employees from a variety of backgrounds,
11 cultures, and personal experiences are welcomed and can
12 thrive in support of FTB's mission and goals. As Selvi
13 often says, our employees are our most valuable
14 resource.

15 The diversity of our employees and their unique
16 ideas inspire innovative solutions to further promote a
17 strong organization and our mission to help taxpayers
18 file tax returns timely and accurately, and pay the
19 correct amount to fund services important to
20 Californians.

21 There are several statewide DEI efforts which FTB
22 is either taking part in and/or looking to do in the
23 future. Some of the current statewide DEI efforts
24 include the California Innovation Playbook for
25 Government Change Association's 2021 Leadership Training

1 Cohort. This cohort consists of a statewide cross
2 section of executives and trainees across all levels of
3 employment. Cohort 2021 found the State of California
4 needs to build an authentic, inclusive, and diverse
5 forum for its workforce in order for the workforce to
6 collaborate efficiently and effectively across the
7 state's 237 agencies, departments, boards, and
8 commissions. FTB was honored to have five employees
9 participate in this year's training cohort.

10 The Capitol Collaborative on Race and Equity,
11 also known as CCORE is a movement and learning community
12 of California state entities to plan for and implement
13 activities that embed racial equity approaches into
14 institutional culture, policies, and practices.

15 Additionally, the California Department of Human
16 Resources offers diversity and inclusion training
17 courses for supervisory and nonsupervisory state
18 employees.

19 FTB's DEI team widely shares these training
20 opportunities with management and staff. And here at
21 FTB, we have the motto of "leaders at all levels."

22 These statewide efforts further equip our
23 management and staff with the latest strategic
24 approaches to be successful DEI leaders.

25 Thank you, Madam Chair and Board Members, for

1 your time.

2 My cosponsor Christopher Hicks will now speak to
3 you about the role, accomplishments, and projected
4 activities of our DEI team.

5 MR. HICKS: Thank you, Ellen.

6 Again, my name is Christopher Hicks and I am the
7 Director of the Statewide Collection Bureau. My
8 pronouns are he/him/his.

9 Before I show the vision, role, and recent
10 accomplishments of FTB's Diversity, Equity, and
11 Inclusion Team, I would like to provide context for our
12 commitment to DEI. In order to successfully integrate
13 DEI into all aspects of FTB's workplace culture, the DEI
14 team adopted inclusion, diversity, equity,
15 accountability, and leadership, or "IDEAL" as a
16 guidepost for implementing short- and long-term
17 programs. By adding the words "accountability" and
18 "leadership" to the founding principles of inclusion,
19 diversity, and equity, we have reaffirmed and championed
20 FTB's commitment as a public sector leader in DEI.

21 Further, FTB's strategic plan pairs well with the
22 spirit of the team's efforts and positions us to meet
23 the demands required of a large employer of choice like
24 FTB.

25 FTB's strategic plan's strong organization goal

1 reads, in part:

2 1, Increase employee engagement and job
3 satisfaction by continuing to assess and enhance
4 culture, focusing on diversity and inclusion, valuing
5 employees as individuals and celebrating employee
6 achievements;

7 And, 2, Recruit and retain a high performing
8 workforce that leverages our state's rich diversity and
9 promotes inclusion.

10 The DEI team's 14 members are a subset of FTB's
11 diverse population and bring varied perspectives and
12 life experiences to the team. I guess you can say we're
13 inclusive. We are an interdepartmental team of
14 rank-and-file staff, supervisors, and managers. Most of
15 all, we all have a passion for DEI.

16 The team members work in collaboration with
17 internal partners and programs to highlight the
18 intersection of diversity across a broader spectrum.
19 For example, the DEI Team partnered with the Wellness
20 Program Coordinator, who is a DEI team member, to
21 promote a noontime mental health seminar. In addition,
22 we work closely with the Disability Advisory Committee
23 as an ally to bring awareness to the needs and
24 contributions of persons with disabilities.

25 The team established an electronic mailbox to

1 allow FTB staff to actively engage with our efforts by
2 providing feedback and suggestions. Equity and
3 inclusion are everyone's responsibility.

4 Now I would like to share the work the team has
5 undertaken since its inception. Awareness is essential
6 to developing empathy for diverse cultures and groups.
7 The DEI team published diversity awareness articles to
8 our internal FTB net.

9 For example, we published articles to spotlight
10 Black History, Gender Equality and Women's History,
11 Asian American Pacific Islander Heritage, and the LGBTQ+
12 community. These articles highlight the contributions
13 and celebrations around these groups. The articles
14 informed the FTB readers about the important facts that
15 Juneteenth was celebrated in the African-American
16 community since 1865; Patsy T. Mink was the first Asian
17 American woman and first woman of color to serve in
18 Congress; and that Stonewall is now a National Monument
19 and the only national park site specifically dedicated
20 to the LGBTQ+ civil rights movement.

21 The team has had the honor of responding to
22 several requests to attend staff meetings to provide a
23 DEI presentation. These opportunities allow the team to
24 introduce ourselves, share our mission, and provide a
25 forum to solicit input and ideas to develop DEI

1 initiatives.

2 These requests validate that equity and inclusion
3 is exciting and valued throughout the department, and we
4 are excited to present at more such meetings. The team
5 plans to incorporate a DEI presentation into FTB's new
6 employee orientation to establish DEI as an expectation
7 and introduction to FTB's culture.

8 We want to make DEI easy to navigate and
9 accessible. With that in mind, we launched a web page
10 as a one-stop portal for all things DEI. Staff have the
11 ability to review the diversity articles and quickly
12 assess DEI training resources. We're in the process of
13 completing a DEI toolkit to make the website more
14 comprehensive by adding work aids to help supervisors
15 create and maintain a culture of equity and inclusion.

16 California is home to various diverse
17 populations. The DEI team leads efforts and partners
18 with statewide resources to ensure our workforce is
19 representative of those we serve. As a result of
20 fostering a represented workforce, maintaining our core
21 values, and improving our policy effectiveness, we will
22 continue to improve the quality of our public services.

23 The DEI team is committed to evaluating best
24 practices to ensure our policies are free of bias, the
25 most inclusive, and actively embedded into our daily

1 operations, because DEI is an action word.

2 Diversity and Inclusion Expert Verna Myers
3 captures our sentiment in a quote that says, "Diversity
4 is being invited to the party. Inclusion is being asked
5 to dance."

6 Supporting a work environment rich with diverse
7 resources will ensure we are able to meet the needs of
8 our state. There's value in diversity.

9 Finally, to memorialize FTB's commitment to DEI,
10 we drafted a resolution for your consideration. Roman
11 Johnston, a DEI team member, will present it as we seek
12 your approval and support of the DEI Team's efforts.

13 Thank you. And Roman will present the resolution
14 before concluding with your questions and comments.

15 Roman.

16 MR. JOHNSTON: Good afternoon, Madam Chair and
17 Board Members.

18 My name is Roman Johnston and I am the Assistant
19 Chief Counsel of the Business Entity Tax Bureau and a
20 member of the DEI Team.

21 It is my pleasure to present to you the DEI
22 resolution for your consideration. I will now read the
23 text of the resolution:

24 WHEREAS, the Franchise Tax Board recognizes that
25 practicing mutual respect for qualities and experiences

1 that are different from our own, and ensuring
2 individuals of all backgrounds, identities, abilities,
3 perspectives, and beliefs have an equal opportunity to
4 belong, achieve, and contribute to their communities,
5 creates an organization that promotes and sustains the
6 values of diversity, equity, and inclusion;

7 WHEREAS, the Franchise Tax Board celebrates the
8 diversity of our employees, who serve to promote a
9 strong organization and inspire innovative solutions and
10 further FTB's mission to help taxpayers file tax returns
11 timely and accurately and pay the correct amount to fund
12 services important to Californians;

13 WHEREAS, the Franchise Tax Board desires to
14 create a culture that embraces and reflects California's
15 diversity by developing programs, training, and safe
16 environments that promote diversity, equity, and
17 inclusion; and

18 WHEREAS, in accordance with the Franchise Tax
19 Board's new 2021 to 2025 Strategic Plan, which provides
20 that FTB will "Increase employee engagement and job
21 satisfaction by continuing to assess and enhance
22 culture, focusing on diversity and inclusion, valuing
23 employees as individuals, and celebrating employee
24 achievements" and "Recruit and retain a high performing
25 workforce that leverages our state's rich diversity and

1 promotes inclusion," a Diversity, Equity, and Inclusion,
2 DEI, Team was created. The DEI team's mission is to
3 contribute to a caring community by reinforcing and
4 strengthening FTB's commitment to a diverse, equitable,
5 and inclusive workforce, in which employees from a
6 variety of backgrounds, culture, and personal
7 experiences are welcomed and can thrive in support of
8 FTB's mission and goals; and

9 RESOLVED that the Franchise Tax Board hereby
10 formally recognizes its commitment to promote a
11 workplace environment and a culture that promotes
12 diversity, equity, and inclusion, and in which employees
13 from a variety of backgrounds, cultures, and personal
14 experiences are welcomed and can thrive in support of
15 FTB's mission and goals.

16 We respectfully request that you adopt the
17 resolution to formally recognize the Franchise Tax
18 Board's commitment to promote a workplace environment
19 and culture that promotes diversity, equity, and
20 inclusion, and in which employees from a variety of
21 backgrounds, cultures, and personal experiences are
22 welcomed and can thrive in support of FTB's mission,
23 values, and goals.

24 And now, I will turn our presentation back to
25 Christopher.

1 Thank you.

2 MR. HICKS: Thank you, Roman, and thank you,
3 Board Members, for allowing us to present our DEI Team
4 and resolution to you today. This concludes our
5 presentation. We would be happy to answer any questions
6 you may have.

7 CHAIRPERSON YEE: Thank you very much for the
8 presentation, Ellen, Chris, and Roman.

9 Let me turn to our members to see if you have any
10 questions or comments.

11 MEMBER MILLER: Madam Chair.

12 CHAIRPERSON YEE: Yes, please.

13 MEMBER MILLER: No questions. But just such a
14 great presentation, and I hope you will share what you
15 learn with the rest of state government, who I think
16 is -- you know, we are all really working on these
17 issues and hopefully we will all do more than just get
18 asked to the dance. I love that.

19 So -- and when you are ready, Madam Chair, I am
20 happy to move approval.

21 CHAIRPERSON YEE: Great. Thank you, Member
22 Miller.

23 Member Vazquez.

24 MEMBER VAZQUEZ: Just a quick comment and a quick
25 question as well. One, I just wanted to thank you all,

1 especially the staff that gave us a great presentation.
2 And I am pleased to see, you know, the constant
3 evolution of this program to improve our workforce,
4 especially as to are we engaging -- you know, I'm
5 looking at the public and our stakeholders and our
6 partners.

7 My only question would be, moving forward, I
8 guess what challenges did we face or did you folks face
9 in working up this program and whether there are some
10 lessons to be learned to hopefully take us to the next
11 level?

12 MS. CLEMENTE: I will be happy to take on that
13 question. Thank you, Member Vazquez.

14 CHAIRPERSON YEE: Yes.

15 MS. CLEMENTE: So as we indicated earlier in the
16 presentation, the DEI Team is a relatively new team here
17 at Franchise Tax Board. We have been busy at work
18 planning education and awareness programs and other
19 efforts to roll out the program with the ultimate goal
20 of integrating DEI into the fabric of our department.

21 We have not yet met significant challenges to our
22 efforts, but we are mindful of sensitivities around
23 these issues and will be working to mitigate any such
24 challenges as we move forward in what will be an ongoing
25 and multiyear process.

1 Do you have any follow-up to that?

2 MEMBER VAZQUEZ: Just a quick follow-up to that.
3 And I'm assuming, or I'm asking, I guess, have we
4 received any feedback, I guess, from not only general
5 staff, but I'm thinking of our partners to improve -- to
6 make any necessary improvements moving forward?

7 MS. CLEMENTE: Yes. I will be happy to answer
8 that as well.

9 So we are open to and we seek all forms of
10 feedback. So far, the feedback from the staff and
11 partners has been very positive.

12 From its inception, the DEI Team immediately
13 started to draft awareness articles and started making
14 presentations to FTB's divisions and bureaus. The DEI
15 Team will continue to increase the awareness of
16 diversity, equity, and inclusion, and reinforce the
17 concept that different experiences strengthens the FTB
18 enterprise.

19 To help us do this, we will be developing an
20 internal DEI survey, and the survey will help us, one,
21 see how well we are doing with integrating DEI into
22 FTB's workplace culture; and two, it will also help us
23 identify any areas in which we can improve our DEI
24 program.

25 CHAIRPERSON YEE: Thank you very much, Ellen.

1 And thank you, Member Vazquez and Member Miller, for
2 your comments.

3 I particularly want to just call out just the
4 significance of, you know, the incorporation of
5 accountability and leadership over, you know, the DEI
6 program, which I think really is a way to ensure that we
7 continue to see improvements in the program and be able
8 to measure just how we're doing along the way.

9 I will say that building on what's already been
10 done at FTB, which has had a fairly strong culture, I
11 think, of inclusion is really a great place to start,
12 where we have had so many of the FTB team members, you
13 know, just really celebrate it for many, many years
14 through the events and other activities at the -- at the
15 organization. So very, very pleased to see that.

16 And I also want to congratulate you on the
17 resolution. I particularly appreciated just tying all
18 of this to really speak to how we support carrying out
19 the FTB's mission and goals; that this isn't just an
20 internal, you know, kind of feel-good effort, but that
21 it really is about how we really build the most
22 inclusive, welcoming workplace that obviously inures
23 benefits to our customers, and that -- that would be the
24 taxpayers of California.

25 So thank you very much for referring to that.

1 I'm going to now see if there are any -- is any
2 member of the public wishing to speak on this item from
3 the teleconference line.

4 PHONE MODERATOR: Thank you.

5 Ladies and gentlemen on the phone lines, if you
6 would like to place yourself in the queue for public
7 comment, as a reminder, you may press 1, then 0, at this
8 time.

9 (No response.)

10 PHONE MODERATOR: No members of the public are
11 queuing up at this time.

12 Please continue.

13 CHAIRPERSON YEE: Thank you very much.

14 So at this time, I think, Member Miller, would
15 you like to make a motion?

16 MEMBER MILLER: Yes. May I move approval,
17 please.

18 CHAIRPERSON YEE: All right. We have a motion by
19 Member Miller to approve the resolution.

20 Is there a second?

21 MEMBER VAZQUEZ: I will second.

22 CHAIRPERSON YEE: Seconded by Member Vazquez.

23 And without objection, such will be the order.

24 Thank you very much for the presentation. Really
25 excited and look forward to just how this program

1 continues to build out.

2 Thank you.

3 MS. CLEMENTE: Thank you.

4 CHAIRPERSON YEE: All right. Members, our next
5 item is Item Number 3, and this is a presentation on the
6 tax gap. It is a tax gap update. And this will be
7 presented by Craig Scott and Ryan Muramoto, and this is
8 also an informational item.

9 Good afternoon, Craig and Ryan.

10 MR. SCOTT: Yes. Good afternoon, Madam Chair and
11 Board Members. It is nice to be here with you today. I
12 am Craig Scott, a Deputy Chief Counsel in the Legal
13 Division. And with me is Ryan Muramoto, the Bureau
14 Director of Technical Resource and Services Bureau in
15 the Audit Division.

16 Today we would like to share with you how the
17 Franchise Tax Board is monitoring and addressing the
18 California tax gap.

19 The tax gap is the difference between the amount
20 of taxes legally owed and what is voluntarily paid.
21 There are three components of the tax gap, which are the
22 underreporting tax gap, which is the underreporting of
23 income or revenue and/or the overreporting of expenses
24 on a timely filed return; there's the underpaying tax
25 gap, which is the amount of tax reported on a timely

1 filed return, that is not timely paid; and the nonfiling
2 tax gap, which is the tax not paid by those who do not
3 file a return on time.

4 Improving compliance is central to FTB's mission
5 to help taxpayers file timely and accurate tax returns
6 and pay the correct amount to fund services important to
7 Californians.

8 To fulfill this mission, FTB adopted strategic
9 goal number 2, Effective Compliance. This goal is to
10 fairly administer the law to ensure taxpayers file and
11 pay the correct amount.

12 As the fifth largest economy globally, and with
13 this past year, FTB's efforts to help taxpayers file
14 timely and accurate returns and pay the correct amount
15 of tax has probably never been more critical. Because
16 improving compliance is central to FTB's mission, FTB
17 created the Compliance Action Committee, or CAC, to
18 place governance around this important issue. CAC is
19 the implementation leader for our department's strategic
20 goal of effective compliance and provides the department
21 with a structure and process for addressing the tax gap.

22 FTB takes a collaborative approach in addressing
23 enterprise-wide initiatives through the use of teams
24 such as CAC. Members of CAC are from all divisions in
25 the department to ensure FTB approaches this issue from

1 an enterprise perspective.

2 We refer to taxpayers who voluntarily and timely
3 report and pay their taxes as being on the blue path.
4 California has maintained a reasonably high and steady
5 voluntary percentage of compliance, with 81 percent of
6 California taxpayers being on that blue path in the
7 2018/2019 fiscal year.

8 The IRS's most recent study of the federal tax
9 gap was release in 2019, based on an examination of 2011
10 through 2013 federal tax returns. That study indicated
11 the estimated net federal tax gap is \$381 billion. FTB
12 then takes what the IRS has done when estimating the
13 federal tax gap and then extrapolates those numbers to
14 California's economy after making adjustments specific
15 to California.

16 After looking at the IRS study for the 2001 tax
17 year, we estimated California's tax gap for the
18 2004/2005 fiscal year was approximately \$6.5 billion.

19 FTB's most recent study for the 2018/2019 fiscal
20 tax year, based on the IRS's report released in 2019,
21 indicates that California's estimated tax gap is
22 approximately \$24 billion.

23 Dollar-wise, the tax gap has increased. This is
24 because, as the economy has grown, so has the dollar
25 amount of the tax gap. But the California percentage of

1 compliance has remained relatively consistent over the
2 years, and it is this number, the percentage of
3 compliance, that we should be and are focusing on.

4 Now, I would like to turn it over to Ryan to
5 discuss some of the specific ways we are focusing on
6 California's tax gap.

7 MR. MURAMOTO: Thank you, Craig. Good afternoon,
8 Madam Chair and Board Members. My name is Ryan
9 Muramoto, and I am the Bureau Director of the Technical
10 Resource and Services Bureau in the Audit Division.

11 FTB approaches the tax gap through a four-prong
12 approach, starting with the collection of data, which
13 then drives taxpayer education and outreach to encourage
14 self-compliance, followed by campaigns to focus on
15 opportunities to achieve more compliance with minimal
16 intrusion, and, then, as a last step, implement
17 compliance efforts to reduce the tax gap.

18 The first step in our strategic approach to
19 effective compliance includes a strategy to improve the
20 accuracy of returns. We do this by educating taxpayers
21 we have identified with potential areas of noncompliance
22 in their filing history.

23 As we reported to the Legislature in the Taxpayer
24 Bill of Rights annual report, we are focused on using
25 existing data, data tools, and shared knowledge to

1 identify the best cases to receive education letters.

2 We also limit our focus by using internal tools
3 and statistical data directly from the filed tax returns
4 to identify specific taxpayer segments who might be at
5 risk of noncompliance. This approach allows us to
6 narrow down the universe of taxpayers and only send
7 letters to those taxpayers potentially impacted.

8 By employing these strategies, based on available
9 data, we can proactively contact taxpayers to provide
10 them with helpful information versus a reactive approach
11 following our normal audit procedures, which includes an
12 audit of their filed tax returns.

13 As we stated, strategic goal number 2 is to
14 fairly administer the law to ensure taxpayers file and
15 pay their correct amount. We help to implement this
16 goal by making it easier for taxpayers to understand
17 their tax obligations.

18 Our second step involves proactively using the
19 gathered data to provide targeted education and outreach
20 to taxpayers to help them self-comply with their tax
21 return filing and payment responsibilities.

22 Effective education and outreach can directly
23 influence taxpayer behavior and lead to increased
24 compliance.

25 The various CAC compliance teams use the data and

1 compliance proposals to educate and inform the public on
2 how they can best self-comply. These efforts include
3 but are not limited to providing updates to FTB's public
4 web pages to add self-service options, developing a gig
5 economy web page, improving our notices so they are
6 clear and informative, providing direction and public
7 newsletters, such as "Tax News" to our external
8 partners, speaking at tax conferences, and participating
9 in Voluntary Income Tax Assistance training.

10 Education also includes training our staff to
11 improve the customer experience as we work with
12 taxpayers to ensure compliance with the tax laws. For
13 example, all public facing staff in our contact centers,
14 public service counters, and collection programs receive
15 extensive initial training, on-the-job training, and
16 ongoing training with programs tailored to the specific
17 needs of each business area.

18 In addition, we have created the Pathways to
19 Excellence Portal. This portal maps out multiple paths
20 for audit issues that promote technical learning through
21 a combination of coursework, experiences, and
22 collaborative opportunities, along with developing soft
23 skills to provide for the comprehensive development of
24 audit staff.

25 The third step in this governed process is to

1 evaluate our education and outreach efforts and then
2 focus on opportunities to achieve more compliance with
3 minimal intrusion. These efforts include education
4 letters and pilot projects that seek to identify
5 compliance gaps and solutions. This effort is designed
6 as a campaign for taxpayers to conscientiously evaluate
7 their tax return data and correctly file the next
8 return.

9 It is important to note that we consider this an
10 educational campaign to ensure taxpayers have all the
11 information to make a well-informed decision prior to
12 filing their tax returns.

13 Educational letters are purposely designed to be
14 a less intrusive contact with the taxpayers instead of
15 opening an audit. This way, we help nudge taxpayers so
16 they can self-comply. This strategy not only benefits
17 the state, but the taxpayers as well. We have sent
18 nudge letters to address itemized deductions, corporate
19 miscellaneous expenses, California-like-kind exchanges,
20 and corporate nonfilers.

21 We also sent welcome letters to newly licensed
22 cannabis businesses. This letter directs them to our
23 public website where they can access resources and
24 applicable forms.

25 Other outreach activities including online

1 cannabis-related events and working with industry trade
2 groups.

3 The final step is to implement projects to
4 achieve compliance and reduce the tax gap. These
5 compliance measures are necessary to ensure a fair tax
6 system for all California taxpayers.

7 This stage also includes measuring the results of
8 each compliance strategy. By way of examples of current
9 compliance measures, beginning January 2nd, 2020, the
10 validation process for the head of household filing
11 status moved from the audit program to Return Analysis
12 for tax years 2019 and later.

13 What's new is that the head of household filing
14 status validation process now happens upfront in Return
15 Analysis. When we deny the head of household filing
16 status, we notify the taxpayer immediately after
17 processing the return. This change allows FTB to assess
18 the proper amount of tax and issue more accurate refunds
19 earlier in the return process.

20 Additionally, the taxpayer knows if they made a
21 mistake much earlier in the process and can remedy the
22 possible filing status error without further compliance
23 measures.

24 Another example involves our e-Levy and
25 e-Garnishment programs. A new law enacted in 2020

1 allows FTB to electronically serve earnings withholding
2 orders and related notices or documents, thereby
3 assisting FTB's collection efforts and freeing up
4 resources for other compliance efforts.

5 In terms of the Top 500 list, if taxpayers do not
6 voluntarily comply, the Top 500 balance due accounts are
7 posted to our website. Since its inception, the Top 500
8 program has collected over \$1 billion.

9 I will turn it back to Craig to discuss some
10 future compliance efforts.

11 MR. SCOTT: Thanks, Ryan.

12 As we look at the current tax gap and consider
13 how to employ our resources going forward, we are
14 directing our efforts to reduce the burdens on
15 taxpayers. We are also focusing on noncompliant
16 taxpayers through several compliance efforts.

17 For example, our Enterprise Data Revenue 2, or
18 EDR2 project, will capture more state and federal return
19 information. The project will also bring in additional
20 third party data and new technology that will enable us
21 to identify potential compliance issues earlier and
22 assist taxpayers in resolving these issues using
23 enhanced self-service options.

24 If we contact payers earlier, they can remedy
25 verified errors on their returns when their tax

1 information is still available and without further
2 contact from FTB.

3 The new data and current data, coupled with new
4 EDR2 analytic capabilities, will help FTB contact the
5 right taxpayers at the right time and enable them to
6 self-comply.

7 IRS Commissioner Chuck Rettig recently stated
8 that compliance is higher when income, particularly
9 business income, received by individuals is subject to
10 withholding. FTB also sees better withholding as a key
11 to improve tax compliance. Our Withholding Unit is
12 currently working through its Education and Outreach
13 Team to encourage withholding compliance within the
14 escrow and property management communities.

15 They are also working on changes to the Form 593
16 that they anticipate will increase compliance for
17 like-kind exchange transactions.

18 And, finally, the unit is working on regulatory
19 changes to encourage more compliance of passthrough
20 entity withholding.

21 Through these efforts we discussed today, you can
22 see that FTB is committed to providing excellent
23 customer service and having a tax that is fair and
24 benefits all California taxpayers.

25 At this time, Ryan and I would be glad to address

1 any questions you may have about our presentation and
2 the California tax gap.

3 CHAIRPERSON YEE: Thank you very much, Craig and
4 Ryan, for the comprehensive presentation.

5 Members, let me turn to you to see if you have
6 any questions or comments.

7 MEMBER VAZQUEZ: Yes, Madam Chair.

8 CHAIRPERSON YEE: Yes.

9 MEMBER VAZQUEZ: First, I would just like to just
10 reiterate, once again, my appreciation to the staff's
11 hard work on putting together this presentation,
12 especially this PowerPoint presentation today. And I
13 understand the importance of this. You know, obviously,
14 you know, there's such a huge gap in terms of potential
15 revenue here.

16 And given, you know, our situation here with,
17 now -- I guess I think it's more important now, given
18 the post pandemic, to educate taxpayers regarding their
19 options to meet their tax obligations.

20 So I guess my first question would be, as I see,
21 and you mentioned in your presentation, the significant
22 increase in the tax gap. You know, it's about -- it's a
23 little over \$17 billion, 04/05 to 2018/2019. And it's
24 my understanding, I guess the anticipated gap in 2021 is
25 probably going to grow, and I was just wondering what

1 you folks anticipate that number to be and what can we
2 do to mitigate it?

3 I know you came across in your presentation with,
4 I guess, this four-prong approach, hopefully to help
5 part of that mitigation, but it seems to just keep
6 growing and growing every three or four years.

7 MR. SCOTT: I can take that question.

8 As we stated, the increase in the dollar amount
9 of the tax gap is really a result of the significant
10 growth in California's economy. There was a similar
11 growth in the dollar amount of the federal tax gap, and
12 that growth was likewise as a result of the expanded
13 economy. But as we stated, the percentage of compliance
14 in California has remained consistent over the years,
15 despite the growth in the dollar amount -- the tax
16 gap -- which is also true at the federal level.

17 We currently do not have numbers for 2021 at this
18 time, but the IRS has noted that they intend to restate
19 the tax gap next year, and, according to the Tax Gap
20 Commissioner, the new number would likely approach
21 \$1 trillion at the federal level. FTB will perform
22 another review once those numbers are released.

23 And as far as the mitigation efforts that we will
24 use to address the tax gap going into the future, they
25 are really all the efforts that we highlighted today in

1 our presentation: The data, the education and outreach,
2 and the campaigns. Those things that Ryan went over.

3 MEMBER VAZQUEZ: And I guess my last part of my
4 question would be, I'm also a little concerned, you
5 know, about the tax obligations incurred during this
6 pandemic. And especially I'm thinking of the small
7 businesses in particular and their options when they
8 have incurred a tax liability, but are unable to meet or
9 pay those liabilities because of the stay-afloat, you
10 know, measures and policies that we have, you know,
11 during this whole pandemic.

12 MR. SCOTT: So I can take that one as well.

13 When we are contacted by taxpayers that are in
14 these situations, we ensure that we listen and respond
15 appropriately. We advise our collections staff that
16 even though the collection moratorium has been lifted,
17 the pandemic, as we all know, and its effects on the
18 economy and taxpayers still continue. So our staff
19 knows that it's important to listen to the taxpayer when
20 they contact us and make the best decision in light of
21 their situation.

22 Some of the -- depending on the taxpayer's
23 situation, some of our collections staff can delay,
24 modify, or release levies and garnishments; they can set
25 installment agreements; they can allow for skipped

1 installment agreement payments; they are allowed to
2 delay collection on accounts as warranted; they are able
3 to abate penalties when reasonable cause has been
4 demonstrated; they are able to place individual
5 taxpayers into hardships as warranted; and offer
6 extended payment plans for business entities; they can
7 allow for extensions to respond to audit requests for
8 information with concurrence from Audit, of course; and
9 they also make taxpayers aware of their current tax year
10 return filing and payment extensions to continue that
11 effort to provide good customer service.

12 CHAIRPERSON YEE: Thank you, Member Vazquez.

13 MR. SCOTT: Does that answer your question?

14 MEMBER VAZQUEZ: Yes.

15 CHAIRPERSON YEE: Thank you, Member Vazquez, very
16 much.

17 Member Miller, any questions or comments?

18 MEMBER MILLER: I'm so sorry. My internet just
19 went out.

20 I do have just two questions. That was a great
21 presentation.

22 I have two, sort of, questions around -- one is
23 just around machine learning. And I know that a lot of
24 states are -- did you already ask that question, Madam
25 Chair? I'm sorry.

1 CHAIRPERSON YEE: No. No. I'm not even going to
2 go there because I think I know where you are going.

3 MEMBER MILLER: All right. I really -- I
4 sincerely apologize.

5 So just around whether or not you have ever
6 looked into any kind of machine learning or artificial
7 intelligence to actually prompt us to see about some of
8 the potentials and what we can learn from various
9 returns. And then I have one additional question about
10 kind of the nudging letters you are sending.

11 MR. SCOTT: I think a component of the EDR2
12 program that is happening, going on now, started in
13 July, will be part of the modeling that we'll be doing
14 and certainly some of the machine learning. So we
15 anticipate some benefits to help the tax gap through the
16 implementation of our EDR2 program.

17 MEMBER MILLER: Great. Thank you.

18 I would -- I would love to see a little bit more
19 of that. I think because we base our tax gap data on
20 the IRS, and the IRS is obviously -- just like we're
21 hearing from the President and the Treasury Secretary, I
22 think the IRS has been so woefully underfunded that
23 they -- and their audits have been decidedly with lower
24 income people, I think that that is sort of the
25 information that we are seeing coming out as we really

1 try and increase the ability to audit at the IRS.

2 So I would just love to make sure, as we do this,
3 it's not just a -- we're not always necessarily aligning
4 ourselves with the IRS, as they kind of get back up and
5 running and get extra staff. So I think that's
6 important.

7 And then just with the nudge letters, I think
8 that sounded really great just in terms of
9 (videoconference malfunction) --

10 CHAIRPERSON YEE: Member Miller, you are cutting
11 out a little bit. Member Miller, we can't hear you.
12 (videoconference malfunction). Member Miller, you are
13 cutting out a little bit. Maybe try turning off your
14 video and see if we can hear you through the audio.

15 MEMBER MILLER: It is better now? I'm sorry.

16 CHAIRPERSON YEE: It is better. Restate your
17 question, please. Didn't get a good part of it.

18 MEMBER MILLER: I'm sorry. Just around the nudge
19 letters. If there are -- if there are ways in which you
20 can prioritize those in which you are nudging for
21 voluntary compliance.

22 I don't know if you have given that any
23 consideration, Mr. Scott.

24 MR. SCOTT: Yeah. I think that's a big purpose
25 of our nudge letters. There -- as Ryan indicated, they

1 are education letters, really, in focus, and so it is to
2 help taxpayers know what the correct tax report, how to
3 report it, help educate them, because I think a lot of
4 times it's because they don't understand their tax
5 obligations and, you know, the tax laws can be
6 complicated.

7 And so a good part of our work is -- and it is
8 important -- is to educate taxpayers, and those nudge
9 letters/education letters do work towards that goal.

10 MEMBER MILLER: Great. Thank you very much.

11 CHAIRPERSON YEE: Great. Thank you, Member
12 Miller, for the questions.

13 Mr. Scott and Mr. Muramoto, I have a couple of
14 questions.

15 One is, to Ms. Miller's point about extrapolating
16 our -- the magnitude of our tax gap from the IRS
17 information. And, certainly, to Mr. Vazquez's question
18 about the growth and the tax gap from 2004/2005 to
19 2018/2019.

20 Certainly, it's been due to the growth of the
21 economy, but I'm also wondering how much the change in
22 the nature of California's economy has contributed to
23 the growth in our tax gap as well. I didn't know if you
24 had a flavor for that or how that should be accounted
25 for.

1 MR. SCOTT: You know, we break it down into
2 underreporting, underpayment, and nonfiling. And I
3 don't know if we have broken it down further into the
4 aspects of the economy.

5 Certainly, I think when -- when the growth in the
6 economy is more in the nonwage area --

7 CHAIRPERSON YEE: Yeah.

8 MR. SCOTT: -- which is easier to track, it's a
9 little more difficult. And so that could have some
10 impact on the growth of the tax gap.

11 CHAIRPERSON YEE: Okay. And then your education
12 and outreach efforts, I was curious. Are we -- are you
13 primarily targeting individual taxpayers, or is there a
14 practitioner component to the education and outreach
15 program as well?

16 MR. MURAMOTO: I can take that, Craig.

17 MR. SCOTT: Go ahead, Ryan.

18 MR. MURAMOTO: The nudge letters, they are both
19 sent to both individuals and businesses as well.

20 CHAIRPERSON YEE: Okay. And I guess I'm thinking
21 about, you know, our partners in compliance in terms of
22 our tax practitioners. Are they involved in the program
23 at all, either as recipients of our education and
24 outreach or as resources for information for taxpayers
25 and their clients?

1 MR. SCOTT: We do work to educate our partners in
2 filing correct tax returns and we do that. We have "Tax
3 News." We keep our web page up to date to provide the
4 most current information we can, particularly with the
5 number of changes in laws that we have seen recently.
6 So, yes, we do work with our practitioners as well.

7 CHAIRPERSON YEE: Okay. Okay. So the categories
8 you outlined, like the like-kind exchanges and others
9 just seems to me it might be more suited to trying to
10 recruit our tax practitioners to be helpful in that
11 regard.

12 MR. SCOTT: Yes. Exactly.

13 CHAIRPERSON YEE: Okay. Good.

14 And then my last question really has to do with
15 the experience -- the taxpayer experience during this
16 pandemic and to the extent that many of our in-person
17 resources have been curtailed.

18 Can you talk a little bit about just other
19 thoughts or innovative ways about how we're reaching out
20 to taxpayers for them to be able to learn about how to
21 become compliant?

22 MR. SCOTT: Ryan, do you have something on that
23 with respect to SB 1409?

24 MR. MURAMOTO: Yeah. You know, we are engaging
25 in a study in the direction of Senate Bill 1409. The

1 study and recommended options that would be able to
2 identify potential opportunities that could provide
3 further assistance of this nature. So that report is
4 due to the Legislature January 1st, 2022.

5 CHAIRPERSON YEE: Okay.

6 MR. MURAMOTO: And we are deep in the information
7 gathering stage on this study. Simplified filing
8 efforts and enhancements to VITA that are part of the
9 issues we're gathering information on.

10 CHAIRPERSON YEE: Okay. All right. I appreciate
11 that. Thank you.

12 So let me see at this time if there is any member
13 of the public who wishes to speak on this item.

14 PHONE MODERATOR: Thank you. Ladies and
15 gentlemen on the phone lines, if you would like to place
16 yourself in the queue for public comment, as a reminder,
17 you may press 1, then 0, at this time.

18 (No response.)

19 PHONE MODERATOR: No members of the public are
20 queuing up at this time. Please continue.

21 CHAIRPERSON YEE: Thank you very much.

22 Mr. Scott, Mr. Muramoto, thank you. Member
23 Vazquez, please.

24 MEMBER VAZQUEZ: Madam Chair, one last one. As I
25 was listening to your comments -- and then you kind of

1 touched on it a little bit in your presentation, staff,
2 on the VITA program, which I think is a great program.
3 And I was just wondering if there's an opportunity or
4 if -- are we looking to possibly expand that or increase
5 that? Because as I'm thinking about giving the folks --
6 especially during this pandemic, I think that's one of
7 the key tools, I think, especially in reaching a lot of
8 the low-income folks or the small mom-and-pop businesses
9 that are struggling with their responsibilities.

10 MR. MURAMOTO: Yes. We are considering expanding
11 that, for that project with the SB 1409. Let me see.

12 MEMBER VAZQUEZ: Thank you.

13 MR. MURAMOTO: Yeah.

14 CHAIRPERSON YEE: Yeah. And I think what I would
15 add to that is maybe thinking about -- I think one of
16 the things we don't sometimes think about is just, you
17 know, all of the partnerships that we have, particularly
18 with our nonprofit community-based organizations that
19 really have lost a lot of capacity during the pandemic.
20 And so how do we rebuild that? Maybe rebuild it
21 differently with different tools.

22 And so I hope that when we do the report, that
23 we're kind of getting to that level of just how do we
24 reach, as Mr. Vazquez says, you know, those communities
25 that have traditionally been hard to reach and also

1 probably are going to need that touch by the trusted
2 sources in the community.

3 So if we could kind of think down to that level
4 for the report, I think that would be helpful, just in
5 light of the reality of just losing so much of the
6 community-based capacity over the past 18 months.

7 MR. MURAMOTO: And to add to Member Vazquez's
8 question, this fiscal year, FTB has received additional
9 resources to support VITA functions across the state.

10 CHAIRPERSON YEE: Yes.

11 MR. MURAMOTO: This funding was provided as a
12 part of the package to also provide grant funding to
13 community-based organizations for outreach in engaging
14 in free tax preparation activities.

15 CHAIRPERSON YEE: Yeah.

16 MR. MURAMOTO: So further discussion on these
17 grant funds and the related VITA resources are expected
18 in the next legislative session.

19 CHAIRPERSON YEE: Okay. Okay. And I know -- I
20 mean, everybody has been looking at that outreach
21 because it's -- I think it's in all of our interests to
22 be sure that those who are eligible for any of, you
23 know, the -- particularly the recently enacted programs
24 are availing themselves of them.

25 And I don't -- I think the metrics for how we've

1 been measuring the -- or assessing the outreach that's
2 been done in the past, I think, has not been the most
3 thorough, and I would also point to the California
4 Policy Lab's, you know, study of what's been happening
5 with the outreach programs as well.

6 So I guess what I'm really saying is, I hope our
7 report can be expansive in terms of really being
8 innovative about how we can better serve. Always room
9 for improvement. And I think what's happened over the
10 past 18 months has really demanded that we think
11 differently about how we reach particularly
12 hard-to-serve communities.

13 MR. SCOTT: Great. Thank you.

14 CHAIRPERSON YEE: Thank you both.

15 Any other questions, members?

16 (No response.)

17 CHAIRPERSON YEE: Okay. Really appreciate the
18 thorough presentation.

19 MEMBER MILLER: Madam Chair, if I --

20 CHAIRPERSON YEE: Member Miller, I'm sorry.

21 MEMBER MILLER: No. I'm sorry. I'm sorry about
22 this.

23 Just on -- on your point about that, I think in
24 that study, we also have long been looking at ways to
25 also sort of autopopulate, especially of recipients of

1 the EITC and if -- and hopefully there won't be a need
2 for other stimulus program. But programs like that, I
3 know the team are looking into that with the other
4 departments in state governments. So any opportunities
5 for coordination within that study, I just wanted to add
6 if we could make sure to see that perhaps back in a
7 Board meeting in the future.

8 CHAIRPERSON YEE: Absolutely. Thank you, Member
9 Miller. Terrific.

10 Great. Thank you both very much for the
11 presentation.

12 MR. SCOTT: Thank you.

13 MR. MURAMOTO: All right. Thank you.

14 CHAIRPERSON YEE: All right. Members, we are now
15 moving on to Item 4, which is a presentation on the
16 COVID-19 state and federal tax relief.

17 This is a presentation that will be made by Erin
18 Dendorfer and Matt Feaster, and this is also an
19 informational item.

20 Good afternoon.

21 MR. FEASTER: Good afternoon, Madam Chair, and
22 Board Members. And thank you very for your time today.
23 My name is Matt Feaster, and I'm an Assistant Bureau
24 Director in the Filing Division here at FTB.

25 I'm presenting today with Erin Dendorfer from our

1 Legal Division. In our roles at FTB, we've been members
2 of several of the FTB teams assembled to implement the
3 COVID relief provisions that have impacted FTB. These
4 teams have gone above and beyond to implement some new
5 programs and address late-in-the-year federal changes.

6 Early on in the pandemic, FTB created a COVID-19
7 FAQ web page to provide answers to commonly asked
8 questions as a result of federal law changes. FTB
9 updated and added information to this page as new
10 federal and California law changes were enacted.

11 Today we'll be giving a high level overview of
12 several federal and state legislative changes that
13 affected California taxpayers during the pandemic.
14 These laws aim to provide direct relief to individuals
15 and businesses.

16 Erin will start with the federal laws that
17 affected California tax administration and will give an
18 overview of California's legislative response to those
19 federal law changes. Next, we'll talk about other new
20 programs that California enacted to provide relief to
21 taxpayers. And then I will discuss measures that FTB
22 implemented in response to federal law changes that made
23 tax filing easier for California taxpayers this year.

24 MS. DENDORFER: Thank you, Matt.

25 I will first introduce a few of the federal laws

1 that we'll be talking about throughout this
2 presentation. Last year, one of the initial federal
3 laws enacted to provide relief during COVID was the
4 Coronavirus Aid, Relief, and Economic Security Act,
5 which is known as the CARES act. This act included
6 several provisions that have become familiar during the
7 past year and a half, including the unemployment
8 insurance expansion, federal stimulus, and the Paycheck
9 Protection Program, or PPP.

10 Last December, Congress also enacted the
11 Consolidated Appropriations Act of 2021. This act is
12 commonly known as the CAA and, among other things, it
13 clarified provisions of the PPP program.

14 This past March, Congress passed the American
15 Rescue Plan Act, and this law included a federal gross
16 income exclusion for a portion of unemployment income
17 for certain taxpayers. This late change had an impact
18 on some California taxpayers, and Matt will discuss
19 FTB's response in a little bit.

20 One of the first measures that California enacted
21 in response to federal law changes was regarding
22 retirement loans. The CARES Act modified some rules
23 applicable to loans from qualified retirement plans for
24 COVID-19-related distribution. It also increased the
25 dollar amount of loans not treated as distributions for

1 certain loans and delayed the repayment date for
2 outstanding loans by one year.

3 Last year, California enacted AB 276 to conform
4 to these provisions.

5 The CARES Act also created the PPP, which is a
6 program that provides forgivable loans, called covered
7 loans, to businesses for certain business expenses.
8 Covered loans forgiven under the PPP are excluded from
9 federal gross income. And after the PPP was enacted,
10 the IRS provided guidance explaining that business
11 expenses paid for with forgiven covered loan amounts
12 would not be deductible.

13 Last year, California conformed to the gross
14 income exclusion for covered loan amounts forgiven under
15 the PPP in Assembly Bill 1577. AB 1577 included a
16 provision that required the reduction of deductions and
17 credits for amounts upon which the exclusion was based.

18 After AB 1577 was enacted, Congress included a
19 provision in the CAA to provide that business expenses
20 paid for with covered loan amounts are deductible. So
21 last year, in response to Congress clarifying the
22 treatment of deductions, the Legislature enacted AB 80,
23 which, for eligible taxpayers, partially conformed to
24 the deductibility of business expenses paid for with
25 covered loan amounts.

1 For outreach on this, FTB's COVID-19 web page
2 includes a link to specific information on the PPP
3 program, and this information was updated when changes
4 to California's conformity occurred.

5 FTB also published "Tax News" articles addressing
6 these PPP conformity measures.

7 The Economic Injury Disaster Loan program, or
8 EIDL, was also included in the CARES Act and provides
9 low interest loans with a 30-year repayment period and
10 no payments due during the first year. Under this
11 program, loan applicants were able to request advances
12 of up to \$10,000 that would be forgivable.

13 Under the CAA, the EIDL program was expanded to
14 provide advance grants to businesses located in
15 low-income communities. These targeted advance grants
16 are also forgivable and excluded from gross income.

17 AB 80 included conformity to the gross income
18 exclusion and additional tax benefits for forgiven loan
19 amounts -- or grant amounts and targeted EIDL advances.

20 The CAA also allocated \$25 billion in rental
21 assistance funds to states to assist qualified
22 households who are unable to pay rent, utilities, home
23 energy costs, and other housing expenses due to the
24 pandemic. California is administering the funding under
25 the State Rental Assistance Program.

1 AB 81 and SB 91, which were both enacted earlier
2 this year, generally allow an income exclusion for rent
3 forgiven by a landlord or rental assistance funds
4 received. Because this change was operative for the
5 2020 taxable year, FTB worked quickly to update the tax
6 return instructions so taxpayers had the most up-to-date
7 information for filing their 2020 tax returns.

8 California also enacted several new laws that
9 were not connected to federal programs. One of these
10 was SB 1477, which is known as the Main Street Small
11 Business Tax Credit. Eligible small businesses could
12 receive up to \$100,000 in credits. The amount of credit
13 is \$1,000 per each increase in full-time employees.

14 Under this law, eligible qualified small business
15 employers could apply for a tentative credit reservation
16 from the California Department of Tax and Fee
17 Administration. And, at that time, could elect to apply
18 the credit to their sales and use tax liabilities.

19 The tentative credit reservation period closed on
20 January 15th, and CDTFA administered the tentative
21 credit reservation process and allocated over
22 \$53 million in credits to nearly 10,000 taxpayers.

23 FTB worked quickly to public -- publish "Tax
24 News" articles, provide detailed information on our
25 website, and get guidance out for how to claim the

1 credit through forms and instructions.

2 In addition, FTB's Public Affairs team advertised
3 the credit through social media when the tentative
4 credit reservation window opened. FTB also worked
5 with -- closely with a knowledgeable team at CDTFA to
6 administer the credit, and we look forward to working
7 with them again to administer Main Street Part II.

8 Just recently, on July 16th, the Governor signed
9 AB 150, which included several tax-related provisions,
10 including a Part II of the Main Street Tax Credit. The
11 provisions are similar to the first Main Street credit,
12 but this new credit is available for more qualified
13 small business employers, specifically those who had 500
14 or fewer employees as of December 31st, 2020, and to
15 some who started business in 2020.

16 In addition, the credit amount for each qualified
17 small business employer was increased to \$150,000, but
18 this amount will be reduced by the Main Street Part I
19 credit.

20 CDTFA is again administering the tentative credit
21 reservation process which will open on November 1st and
22 will end November 30th of this year or an earlier date
23 if the allocation limit is reached.

24 The amount available for Part II, which includes
25 the unallocated credit from the first credit, is

1 approximately \$116 million, and FTB and CDTFA have
2 already updated their websites and will work on further
3 outreach as the tentative credit reservation window gets
4 closer.

5 AB 150 included another credit that will be
6 available to California eligible employers that employ
7 people experiencing homelessness. The goal of the
8 credit is to encourage employers to hire and retain
9 individuals from the homeless population, who have been
10 found to face systemic barriers to employment.

11 For taxable years beginning on or after
12 January 1, 2022, and before January 1, 2027, qualified
13 taxpayers that employ eligible individuals can receive a
14 credit in the amounts shown on the screen, not to exceed
15 \$30,000 per taxpayer, per taxable year.

16 FTB will administer the tentative credit
17 reservation process that will be subject to an annual
18 cap of \$30 million plus any unallocated credit amounts
19 from prior years.

20 FTB has started working on implementation and has
21 already created a web page for this credit. The site
22 will be updated with credit reservation information for
23 taxpayers who will begin requesting reservations at the
24 beginning of next year.

25 Another provision of AB 150 increased the

1 California Competes tax credit allocation for the
2 2021/22 fiscal year, to encourage business operations in
3 the state. The allocation was increased from
4 \$180 million to \$290 -- (videoconference malfunction) --
5 for that year, to review the awarded contracts, to
6 determine if companies have met the milestones outlined
7 in their contract.

8 In SB 87 and SB 151, which were also enacted,
9 provide grants to qualified small businesses and micro
10 businesses. FTB will review the grants and the
11 collection of any recaptured grants. These bills also
12 contain provisions to exclude these grants from gross
13 income for certain taxpayers.

14 And now I will pass it back to Matt to talk about
15 California's stimulus programs.

16 MR. FEASTER: Thank you, Erin.

17 The Golden State Grant Program provides one-time
18 grant payments of \$600 to CalWORKS participants and
19 recipients of other state benefits to provide relief to
20 low-income Californians impacted by the COVID-19
21 emergency. The grant program was administered by the
22 state Department of Social Services, or CDSS. It was
23 enacted at the same time as the Golden State Stimulus
24 Program that is administered by FTB. Because both
25 programs reach some of the same individuals, FTB has

1 worked closely with CDSS to coordinate messaging and
2 direct recipients with questions to the proper
3 department in order to receive the assistance they need.

4 And that brings us to California's State Stimulus
5 Programs, commonly known as GSS I and GSS II. These
6 programs are separate from the federal stimulus programs
7 that were enacted under the federal legislation
8 discussed earlier.

9 Under GSS I, eligible individuals will receive a
10 \$600 or \$1,200 payment. Eligible individuals who have
11 not filed their 2020 returns yet can still receive a GSS
12 I payment if they file by October 15th, 2021.

13 Individuals who apply for an ITIN by October 15th, but
14 do not receive their ITIN by that date, will have until
15 February 15th, 2022, to file their return.

16 FTB worked quickly to update its website to
17 provide information to taxpayers. FTB assisted
18 thousands of individuals directly through its call
19 centers and live chat service. We also worked with
20 external stakeholders and nonprofit groups to develop
21 GSS outreach materials and worked with groups such as
22 the California Bankers Association and the tax software
23 and preparation industries to help ensure a smooth
24 process for individuals to receive payments.

25 To date, FTB, in coordination with the State

1 Controller's Office, has issued around \$4.2 million
2 payments totaling approximately \$2.6 billion. This
3 accounts for 99 percent of eligible recipients that have
4 already filed tax returns.

5 Even more Californians will qualify for the most
6 recently enacted stimulus under GSS II because the
7 income threshold is now \$75,000 for all eligible
8 individuals. The amounts vary depending on factors such
9 as filing status and whether an individual has
10 dependents and generally range from \$500 to \$1,100.

11 Within just 24 hours of the Governor's signature
12 on the bill, FTB's GSS II website was active and
13 included the details for how to qualify. As a part of
14 this guidance, FTB developed an estimator to help
15 individuals determine the amount they may be eligible
16 for. The estimator alone received nearly 60,000 visits
17 in the first couple days that it was active and
18 continues to be a popular link on FTB's web page. FTB
19 continues to assist individuals directly through its
20 call centers and live chat service.

21 In addition, based on returns already filed, FTB
22 has identified approximately 9 million individuals who
23 are eligible for this payment.

24 FTB, again in coordination with the State
25 Controller's Office, has started implementing the much

1 larger GSS II program and has already started issuing
2 payments to eligible taxpayers. To date, FTB and SCO
3 have successfully completed the first release of GSS II
4 payments, which included approximately 600,000 payments,
5 totaling \$354 million.

6 For the 2020 tax year, the IRS extended the
7 filing due date of personal income tax returns and
8 payments to May 17th, 2021. Similar to the 2019 tax
9 year extension, FTB conformed to the IRS due date
10 change. This extension of the filing date allowed all
11 taxpayers extra time to prepare and file as well as pay
12 their 2020 tax return. However, unlike in 2020, neither
13 estimated payments nor business entity tax returns were
14 impacted by the date change. Those items remain due on
15 their traditional dates as prescribed by statute.

16 Finally, if a prior year statute of limitations
17 was due to expire on April 15th, 2021, it was also
18 extended to May 17th, 2021. In addition to implementing
19 system and procedural changes to make this happen, we
20 created robust web content about the changes to help
21 California taxpayers stay up to date on changes and
22 provided them with the information they needed in order
23 to meet their tax obligations at the proper time.

24 Finally, another key item for FTB this year was
25 federal legislation, the American Rescue Plan Act,

1 signed by President Biden during the filing season in
2 March. It allowed taxpayers to exclude a portion of
3 their unemployment income for the 2020 tax year on their
4 federal return, thereby reducing their federal adjusted
5 gross income.

6 FTB quickly stood up a team to address the issue
7 as it relates to California tax filing. As California
8 already excludes unemployment income from taxable
9 income, this item's impact was felt in the area of tax
10 creates that use the federal AGI as a criteria to
11 determine eligibility.

12 Key here were the Earned Income Tax Credit, or
13 CalEITC, the Young Child Tax Credit, and Golden State
14 Stimulus. Many taxpayers in the EITC income bracket
15 were impacted by this federal change.

16 In addition to our internal work to begin
17 addressing this item, we quickly created targeted and
18 specific web content for taxpayers to educate them on
19 all of the changes and how they may be impacted, as well
20 as how to proceed depending on their individual facts
21 and circumstances as they related to this federal
22 change.

23 We identified over 600,000 taxpayers whose
24 accounts we can proactively adjust using the information
25 they submitted on their 2020 tax return prior to the

1 federal bill being signed. We are correcting those tax
2 returns without any additional or further action on the
3 part of the taxpayer and will issue refunds for
4 additional credit amounts to those who fall into this
5 group.

6 Additionally, we identified over 400,000
7 taxpayers who did not initially claim the CalEITC on
8 their 2020 tax return, but may now be eligible to
9 receive the credit. We are sending this group of
10 taxpayers a notice in the mail, explaining the federal
11 changes and providing instructions for a streamlined
12 process to claim the CalEITC if they are now eligible.
13 CalEITC eligibility can also extend into the Young Child
14 Tax Credit and the GSS in many cases.

15 All of this is fantastic for low-income
16 Californians, and we are excited to be able to assist
17 these individuals. As these claims are received, we are
18 processing them and issuing refunds as appropriate.

19 This concludes our presentation today. We would
20 like to take this time to say thank you again very much
21 for allowing us to share this information with you. At
22 this time, we would be happy to answer any questions you
23 may have.

24 CHAIRPERSON YEE: Thank you very much, Matt and
25 Erin, for the thorough presentation.

1 And, first, let me just say a huge thanks to the
2 entire FTB team. So many of these changes had to be
3 implemented without the usual runway that we have to put
4 new programs in place, and I just really appreciate the
5 tremendous work to be sure that we have these up and
6 running for many of our Californians who are depending
7 on these programs.

8 I also just want to thank Governor Newsom for
9 just the quick response to the needs of so many
10 Californians who were struggling during the pandemic and
11 certainly to our administration back in Washington as
12 well.

13 I think all of us take a certain amount of pride
14 in knowing that we can have a hand on just hopefully --
15 just making the burdens of daily life a little bit
16 easier for so many Californians during these past 18
17 months. So really, really very grateful.

18 Members, any comments or questions?

19 MEMBER VAZQUEZ: Yes, Madam Chair.

20 CHAIRPERSON YEE: Yes, Member Vazquez.

21 MEMBER VAZQUEZ: First of all, ditto. I think
22 you are right on point with your comments.

23 But I would just also like to thank -- and,
24 actually, it was great to hear that the Franchise Tax
25 Board takes and has taken so many steps to minimize the

1 effects during of the -- you know, during the shutdown.

2 But with all these programs, I am certain there
3 are some taxpayers that, you know, may fall through the
4 cracks, and I'm just wondering if there's a way or if we
5 have identified some possible ways that we could assist,
6 and maybe in the assistance, I'm assuming it may need --
7 you may need, as you have been doing all these programs,
8 you know, possibly more resources to make sure that we
9 minimize those folks that could possibly -- potentially
10 fall through the cracks.

11 Because as I'm listening to all of this, I mean,
12 it's all great stuff, but I'm sure, you know, like I
13 think we mentioned earlier, there's just so many of
14 these small low-income where mom-and-pop operations that
15 probably are not -- are not even aware of the services
16 that we're providing.

17 And I was wondering -- and especially as you are
18 getting calls from a lot of these folks, you know -- and
19 we receive them in our office. As a matter of fact,
20 just this last week, where people are calling in and
21 many of them don't have -- for example, in our case,
22 they don't understand that, you know, certain things are
23 no longer under our jurisdiction at CDTFA so we're
24 trying to explain that to folks.

25 And I'm assuming Franchise Tax Board gets a lot

1 more just general questions that maybe go -- are
2 supposed to go under EDD or other departments.

3 And I'm wondering if staff, your staff, is
4 trained or is going to be trained to be able to refer
5 these folks so they are not going through all these
6 hoops and trying to, you know, get the runaround in the
7 process of trying to get some assistance with their
8 issue.

9 MR. FEASTER: Yeah. I can take that question.
10 It's a great question, Member Vazquez.

11 As you know, FTB is thoroughly trained to answer
12 questions as they related to state income tax filings
13 and the programs that we administer to support that
14 process. And as a part of that, staff are given
15 significant training and resources on when, how, and
16 where to direct contacts from taxpayers who need
17 assistance, that can only be provided by another
18 department, such as you mentioned EDD.

19 One of the significant barriers that we face in
20 helping to answer those questions and not having to
21 direct folks is our staff's lack of an in-depth
22 understanding of these other departments' complex
23 programs and laws. But we certainly do our very best to
24 ensure that folks who contact us get the best direction
25 that we can give them, based on the facts and

1 circumstances of their individual situation.

2 MEMBER VAZQUEZ: And I appreciate that.

3 And I'm wondering, you know, especially with our
4 expertise that we have, are we able to share -- or
5 are -- I'm assuming we are. But how effective has it
6 been to share some of that information with our -- you
7 know, to some of the other taxpayer groups that are out
8 there to -- so they can assist their clients properly?

9 MR. FEASTER: You know, we do -- actually do, you
10 know, quite a bit of outreach with the tax preparer
11 community. And one of the things that we do -- you
12 know, we work directly with the trade media and directly
13 with the tax practitioner community and our stakeholders
14 there to ensure that they have all the information
15 needed in order to serve their clients by educating them
16 about the changes that are in place, what we're doing,
17 and in order to ensure that they are able to help their
18 clients and their stakeholders meet their obligations,
19 not just during the pandemic here, but ongoing into the
20 future.

21 MEMBER VAZQUEZ: Thank you.

22 CHAIRPERSON YEE: Thank you, Member Vazquez.

23 Member Miller, any questions or comments?

24 MEMBER MILLER: No, thank you.

25 I also wanted to echo your support and

1 congratulations to the FTB team. I think the legacy
2 they have in terms of helping people really will know no
3 bounds.

4 But also, Madam Chair, I really wanted to thank
5 your team. I think what the Controller's Office did in
6 concert with the FTB was really, really phenomenal and I
7 think, really, it was everything from not only ensuring
8 immediate direct deposits, but making sure we had the
9 right paper on hand so we can get checks to people right
10 away. It was really, really remarkable to see so many
11 people coming together and working together.

12 So thank you to you and to your team's support,
13 really, for a solid 18 months in making sure that we get
14 all this out the door to folks.

15 CHAIRPERSON YEE: Thank you, Member Miller.
16 Really appreciate that and I know my team does as well.

17 Just from an order of magnitude, I have to say
18 that the GSS payments alone constitutes a year over year
19 20 percent increase in the number of payments that shoot
20 by my office. So it's a huge workload, but I have to
21 tell you, the amount of pride by our print and mail
22 shop, everyone involved, audits, the whole team, has
23 just been nothing short of remarkable.

24 This is really transformative in making a
25 difference in so many people's lives.

1 So thank you very much.

2 Let me just turn now to see if there is any
3 member of the public who wishes to comment on this item.

4 PHONE MODERATOR: Thank you.

5 Ladies and gentlemen on the phone lines, if you
6 would like to place yourself in the queue for public
7 comment, as a reminder, you may press 1, then 0, at this
8 time.

9 (No response.)

10 PHONE MODERATOR: No members of the public are
11 queuing up at this time. Please continue.

12 CHAIRPERSON YEE: Thank you very much.

13 Erin and Matt, thank you so much for the
14 presentation and just really, really appreciative of all
15 the great work.

16 Okay. Members, we will now move to Item Number
17 5 and this is the presentation on the Mission and Values
18 Team. This is an update from the team, and we will be
19 hearing a presentation from Jackie Zumaeta and Manav
20 Sushil. Good afternoon.

21 MS. ZUMAETA: Good afternoon, Madam Chair and
22 Members of the Board. My name is Jackie Zumaeta, and
23 I'm an Assistant Chief Counsel in the Legal Division and
24 also the incoming chair of the Mission and Values Team.

25 With me this afternoon is Manav Sushil, who is

1 the current chair of the Mission and Values Team and a
2 Compliance Representative in the ARM Division.

3 Today we would like to introduce you to the
4 Mission and Values Team and tell you a bit more about
5 what we do and the events that we hold to create a
6 positive work environment for our staff by promoting
7 FTB's values.

8 MR. SUSHIL: What is Mission and Values and what
9 do we do? We are part of a team comprised of about 25
10 members across FTB's seven divisions. The team plans
11 and organizes fundraisers, sponsors employee
12 appreciation events, and delivers presentations across
13 the enterprise to achieve the goal of creating a
14 positive and rewarding work environment for our staff.

15 FTB's five values are lead with integrity and
16 inspiration, bring our best, deliver excellent products
17 and services, contribute to a caring community, and
18 become experts at what we do.

19 MS. ZUMAETA: Our largest fundraiser is the
20 silent action, which occurs annually in the summer and
21 is an excellent opportunity to bid on items donated by
22 the section managers, including personal mentoring
23 sessions, team building events, and more.

24 An example of a fundraiser mixed with an
25 appreciation event is the Cookie Kudos fundraiser, which

1 we pivoted into Card Kudos during the pandemic. During
2 this event, employees are able to recognize one another
3 for exhibits FTB's values by purchasing cookies or
4 greeting cards with Starbucks gift cards to send to
5 their colleagues through this event.

6 Another fundraiser that we organized is the
7 greeting card fundraiser in which the team collects
8 artwork from FTB families to create greeting cards for
9 sale each year in December. Each design showcases the
10 artist's hard work and creativity and spreads cheer
11 around the holidays.

12 On this slide, you can see an example of the
13 greeting cards that have been sold in years past.

14 The fundraisers all support the Goldberg
15 Scholarships, employee appreciation events, and holiday
16 programs that the Mission and Values Team facilitates.

17 MR. SUSHIL: The Goldberg Scholarship is an
18 annual event named for our former Executive Officer. It
19 was established over 25 years ago to encourage staff to
20 continue their education. Scholarships are awarded to
21 employees who embody our five values and continue their
22 academic growth for the benefit of FTB.

23 In past years, we've awarded up to three
24 employees a scholarship of \$1,000 each. Funds for the
25 Goldberg Scholarship are raised entirely through Mission

1 and Values fundraisers, like the silent auction and the
2 greeting card sale. The generosity of everyone at FTB
3 allows us to continue supporting the Goldberg
4 Scholarship, which is our proudest contribution.

5 The year, we awarded \$1,000 scholarships to three
6 recipients: Gi Nam, Yocelyn Robles, and Annette
7 Thomure, who are pictured on this slide.

8 MS. ZUMAETA: We also coordinate several employee
9 appreciation events each year: The annual values
10 campaign encourages everyone to demonstrate FTB's values
11 and allows employees to recognize team members who
12 demonstrate one or more of FTB's five values.

13 Employees can also recognize team members outside
14 of this campaign throughout the year by going on to our
15 internal FTB website and sending an e-card to their
16 colleagues.

17 In the summer, we hold an appreciation event for
18 our staff. In years past, we handed out ice cream to
19 staff members in the building lobbies, and during the
20 pandemic, we handed out tumblers filled with goodies to
21 staff who had been working in the office throughout the
22 pandemic. Our field offices are included in these
23 events as well.

24 You can see part of the tumbler construction team
25 and the finished products on this slide.

1 This slide shows an example of the Mission and
2 Values calendar created and distributed to employees
3 each year since 2016.

4 Finally, we also hold the Card/Cookie Kudos event
5 that we previously discussed.

6 MR. SUSHIL: During the holidays, the Mission and
7 Values Team brings a warm and cheery atmosphere to our
8 offices for our employees. We decorate the office with
9 holiday decorations and have several holiday-themed
10 events.

11 A program near and dear to our hearts is the
12 CHiPS for Kids Toy Drive every December to help collect
13 new, unwrapped toys. This program brightens the holiday
14 season for underprivileged children in our community and
15 allows FTB employees to spread the holiday spirit. You
16 can see a photo of our team with CHP offices collecting
17 the toys before the pandemic, on this slide.

18 The annual Holiday Program is a fun-filled event
19 held in December with performances by the FTB choir, the
20 kids from FTB's childcare center, the Poppy Patch, and
21 talented FTB staff and family. And you can see a photo
22 of our Poppy Patch kids singing a holiday song in
23 festive surroundings, pre-COVID. Our very own Santa, a
24 retired FTB employee, and his elves make an appearance
25 to bring holiday cheer as well. It's a truly memorable

1 experience for all.

2 During the pandemic, we made a holiday video that
3 was distributed online to wish everyone the happiest of
4 holidays in a safe and socially distant manner.

5 MS. ZUMAETA: The Mission and Values Team also
6 sponsors the Multicultural Food and Arts Fair once every
7 three years. The fair is a celebration of our
8 multicultural workforce that includes performances, food
9 tasting, and exhibits from around the world. You can
10 see several photos on this slide depicting performances
11 and our executive officer tasting some of the food
12 offerings. The Multicultural Fair is a great
13 opportunity to learn about each other's culture and
14 celebrate our diversity. We are looking forward to
15 hosting the event again in 2022.

16 MR. SUSHIL: The Mission and Values Team also
17 delivers presentations across the enterprise. These
18 presentations include monthly new employee orientations
19 and various workshops and ceremonies throughout the year
20 to promote FTB's values and the events that Mission and
21 Values sponsors. This slide features me speaking at the
22 virtual large team awards ceremony and a past Mission
23 and Values chair speaking at an outdoor ceremony,
24 pre-COVID.

25 In closing, as you have heard in this

1 presentation, the Mission and Values Team is so proud to
2 be able to have the opportunity to recognize our
3 fantastic employees and to contribute to making FTB an
4 amazing place to work.

5 Thank you for listening to our presentation
6 today. We would be happy to take any questions.

7 Thank you.

8 CHAIRPERSON YEE: Thank you very much, Manav and
9 Jackie, and congratulations on your leadership of the
10 committee. And welcome, Jackie. We look forward to
11 working with you.

12 Are there any questions or comments, Members?
13 Member Vazquez.

14 MEMBER VAZQUEZ: Yes. No questions. Just a
15 comment, and it's really just a thank you. Thanks to
16 staff. I mean, listening and especially reviewing the
17 slide presentation here of all the amazing things you
18 are able to accomplish.

19 One that really hits me is one that I have always
20 tried to encourage, especially as we're looking at
21 workforces and to advance them is your scholarship
22 program to make sure these folks can advance and get
23 into career paths. You know, they may have started with
24 you at the low end, but hopefully, through that process,
25 they could become managers or directors or possibly at

1 some point even be the new CEO.

2 But kudos. Kudos you and to the staff for all
3 the hard work you have done.

4 MS. ZUMAETA: Thank you very much.

5 MR. SUSHIL: Thank you.

6 CHAIRPERSON YEE: Thank you, Member Vazquez.

7 Member Miller, any comments?

8 MEMBER MILLER: Nothing for me. Just to echo
9 Mr. Vazquez's points about just how phenomenal it is to
10 see such great joy coming from the team at FTB.

11 CHAIRPERSON YEE: Great. Thank you.

12 I wanted to add, maybe one other element under
13 this. And that is, what happens during tax filing
14 season?

15 I know when -- before the pandemic, we had many
16 of our seasonal employees or intermittent employees come
17 and really help with the workload that I -- I always
18 enjoyed going out and listening during filing season and
19 just the -- the promise and the positivity of just so
20 many of those workers in terms of seeing themselves in a
21 more permanent position at FTB and all of the support
22 they get to look at, you know, opportunities, I think,
23 is something that should be uplifted as well.

24 And, obviously, celebrating Tax Day is also a
25 very, very nice occasion. So I thought I would make

1 mention of that.

2 Let me move and see if there are any members of
3 the public who wish to speak on this item.

4 PHONE MODERATOR: Thank you. Ladies and
5 gentlemen on the phone lines, if you would like to place
6 yourself in the queue for public comment, as a reminder,
7 you may press 1, then 0, at this time.

8 (No response.)

9 PHONE MODERATOR: No members of the public are
10 queuing up at this time. Please continue.

11 CHAIRPERSON YEE: Thank you.

12 Members, I'm just going to take a point of
13 personal privilege and maybe just take a five-minute
14 break. We have a couple of, I think, what I anticipate
15 to be a little bit more lengthy matters coming up. So
16 why don't we -- actually, why don't we take ten minutes.
17 Return at 3:15.

18 Great. Thank you.

19 (Break taken: 3:04 to 3:16 p.m.)

20 CHAIRPERSON YEE: Members, our next item is item
21 number 6. This is our legislative update presentation,
22 and this will be made by Annette Kunze and Wendy Cramer.

23 Good afternoon.

24 MS. KUNZE: Good afternoon. It's nice to see you
25 today and thank you for having us.

1 So over the next few minutes, we'd like to give a
2 legislative update. My name is Annette Kunze and I'm
3 the Legislative Director for the Franchise Tax Board.
4 And today I'm joined by Wendy Cramer, the Assistant
5 Legislative Director.

6 And so today we will share highlights on bill
7 activities such as chaptered bills, including
8 legislative proposals that made it into bills and were
9 enacted this session. We'll also briefly share
10 information on other items of legislative interest such
11 as our upcoming stakeholder meetings in the fall.

12 So, so far this year, approximately 20 bills
13 impacting the Franchise Tax Board have been chaptered,
14 and some of these bills were already highlighted earlier
15 in this meeting, but we would like to share some more
16 information as well now.

17 In addition to the provisions previously
18 discussed, such as the Main Street Part II and the
19 Homeless Hiring Credit, Assembly Bill 150 included a few
20 other provisions. Some of the other changes included
21 the addition of what is commonly referred to as a state
22 and local income tax workaround. This law allows for an
23 additional elective tax to be paid by certain
24 passthrough entities in an amount of 9.3 percent for the
25 tax years '21 through '25; and then a corresponding

1 credit is allowed to the owners to claim on their tax
2 returns. The credits are nonrefundable and include a
3 five-year carryover.

4 Many of these states, including California,
5 considered these elective taxes after the IRS issued
6 Notice 2020-75 in November of 2020.

7 In addition, the Donated Fruit and Vegetable
8 Credit and the Historic Building Preservation Credit
9 were both extended.

10 And, finally, Assembly Bill 150 requires the
11 California Department of Health Care Services to share
12 data with the Franchise Tax Board for purposes of
13 identifying people who may be eligible for the
14 California and Federal Earned Income Tax Credits.

15 The data would be used to develop a plan to
16 remove barriers and to increase the relationship and
17 coordination among state agencies to inform individuals
18 that are eligible for these credits.

19 Senate Bill 137 made changes to the Government
20 Code to clarify the amount of real estate, fraud fee,
21 and lien release fees that can be charged to state
22 agencies. And this change provides clarity and
23 certainty to state agencies, counties, and taxpayers as
24 to the specified need to be charged.

25 And now I will turn it over to Wendy.

1 MS. CRAMER: Thank you, Annette.

2 Next I will discuss Senate Bill 144. This bill
3 made several changes to the current Motion Picture
4 Credit. It increased the funding for the existing
5 credit for fiscal years 2021/22, and 2022/23, allowing
6 the California Film Commission to allocate an additional
7 \$15 million in credits to television series that
8 relocate to California and an additional \$75 million in
9 credits to recurring television series.

10 In addition, this bill creates a new credit for
11 productions filmed at a certified sound stage that was
12 recently constructed or renovated. The Film Commission
13 is responsible for certifying that the sound stage meets
14 the specified criteria, and they would also be
15 responsible for allocating the \$150 million in credits
16 for productions filmed at these certified sound stages.

17 This bill also creates a diversity work plan
18 requirement for taxpayers that receive allocations for
19 the new Certified Sound Stage Credit. The work plan
20 should include, amongst other things, the taxpayer's
21 plan to achieve race and gender representation that is
22 reflective of California's population.

23 The Film Commission will be -- will also be
24 responsible for approving these plans, and upon
25 certification of the credit, should the Film Commission

1 determine its taxpayer has met those goals or made a
2 good faith effort to meet the diversity work plan goals,
3 the credit percentage awarded to the production could be
4 increased by up to 4 percent.

5 In addition to these chaptered bills we just
6 discussed, we are happy to report that three of our
7 Board-sponsored legislative proposals have already been
8 chaptered this year.

9 Assembly Bill 1582 contained two of our
10 proposals, the first relating to cash poor like-kind
11 exchanges. This provision reduces the compliance burden
12 on qualified intermediaries, the QI -- also known as a
13 QI, by limiting the withholding obligation for -- to
14 available funds in those situations where the QI does
15 not receive sufficient funds from escrow. This results
16 in the QI no longer being subject to a penalty should
17 the transaction be cash poor.

18 The second provision in Assembly Bill 1582
19 relates to the due date change for the Taxpayer Bill of
20 Rights Report. This provision extended the statutory
21 due date for the Taxpayer Bill of Rights Annual Report,
22 thereby allowing the FTB to include current year
23 Board-approved legislative proposals in the report.

24 In addition, Assembly Bill 466, relating to
25 sharing of data with the State Controller's Office,

1 would allow the FTB to provide to the State Controller's
2 Office, on an annual basis, additional information
3 collected from certain business entity income tax
4 returns for purposes of administering their unclaimed
5 property program.

6 We still have several proposals for which we have
7 not yet found an author, but we will continue to seek
8 authors in the second year of the two-year session.

9 These proposals include items related to the Research
10 and Development Credit, taxation of income from
11 Incomplete Nongrantor Trusts, also known as ING Trusts,
12 and one-time penalty abatement similar to the federal
13 procedure.

14 We have received several inquiries on the ING
15 Trust legislative proposal, so we shall see if the next
16 year brings any authors.

17 We thank you for your continued support of our
18 ideas, which is an essential piece of their journey,
19 and, of course, we are very appreciative of the
20 sponsoring authors who helped introduce these ideas into
21 bills.

22 I will now turn it back over to Annette.

23 MS. KUNZE: Thank you, Wendy.

24 So now for a couple other items of interest we
25 would like to share: First, we are currently planning

1 for our annual legislative proposal and conformity
2 stakeholder meetings, and we anticipate having both
3 meetings in mid-November and they will most likely be
4 virtual meetings.

5 Internally, we're also preparing new legislative
6 proposal ideas for your consideration at the upcoming
7 December Board meeting.

8 We would also like to share that last year, we
9 launched our conformity tool and we have since added
10 some updates to it. So earlier this year, we released
11 an update to the conformity tool to include the
12 Consolidated Appropriations Act of 2021, and we're
13 currently working on the addition of the American Rescue
14 Plan Act with the goal of publication later this year.

15 And then, lastly, as mentioned earlier, outreach
16 for the California Earned Income Tax Credit continues to
17 be a topic of interest, and FTB is currently preparing
18 the report required by Senate Bill 1409 from last year,
19 which was also mentioned earlier, to identify ways to
20 increase uptake in and reduce barriers to the federal
21 and California Earned Income Tax Credit. And this
22 report is due to the Legislature January 1st of 2022.

23 Thank you for your time today. That concludes
24 our presentation, and, at this point, we would be happy
25 to answer any questions.

1 CHAIRPERSON YEE: Thank you very much, Annette
2 and Wendy, for the presentation.

3 Members, any questions or comments?

4 (No response.)

5 CHAIRPERSON YEE: No? Very well. Thank you. We
6 will take that -- take the report and I look forward to
7 the updates going forward. Thank you very much.

8 MS. KUNZE: Thank you.

9 CHAIRPERSON YEE: Oh, I'm sorry. Let me turn to
10 the operator to see if there are any members of the
11 public who wish to comment on this item.

12 PHONE MODERATOR: Thank you. Ladies and
13 gentlemen on the phone lines, if you would like to place
14 yourself in queue for public comment, as a reminder, you
15 may press 1, then 0, at this time.

16 (No response.)

17 PHONE MODERATOR: No members of the public are
18 queuing up at this time.

19 Please continue.

20 CHAIRPERSON YEE: Thank you very much. Great.
21 Thank you both again.

22 MS. KUNZE: Thank you.

23 MS. CRAMER: Thank you.

24 CHAIRPERSON YEE: All right, Members. Our next
25 item is Item Number 7. And this is a presentation on

1 regulation matters. We have Leah Thyberg and Tom
2 Lo Grossman to request permission to proceed to the
3 formal rulemaking process for proposed Section 18662-7.
4 This is the domestic pass-through domestic withholding,
5 and proposed Section 25136-2 on the market-based
6 sourcing regulations.

7 These are action items, but, first, let me have
8 Leah present on the proposed Section 18662-7 regulation.

9 Leah.

10 MS. THYBERG: Thank you. Good afternoon, Madam
11 Chair and Members of the Board. My name is Leah Thyberg
12 and I am an attorney of the Franchise Tax Board.

13 We are seeking the Board's permission to proceed
14 with the formal regulatory process to adopt California
15 Code of Regulations, Title 18, Section 18662-7, which I
16 will refer to here as the "Proposed Regulation."

17 Additionally, we are seeking the Board's
18 permission to proceed with the formal regulatory process
19 to amend California Code of Regulations, Title 18,
20 Sections 18662-0 through 18662-6, and 18662-8, which I
21 will refer to here as the "Proposed Amendments to the
22 Final Regulations."

23 Revenue and Taxation Code Section 18662 is the
24 statute setting forth California's general tax
25 withholding requirements. Subdivision (a) provides that

1 the FTB may, by regulation, require any person to
2 withhold an amount, determined by the FTB to reasonably
3 represent the amount of tax due, and to transmit the
4 amount withheld to the FTB at the time that it may
5 designate.

6 The proposed regulation would provide for three
7 major changes to domestic pass-through entity
8 withholding requirements: First, it would require
9 pass-through entities to withhold tax on a nonresident
10 owner's distributive share of pass-through entity income
11 rather than on distributions paid to a nonresident
12 owner; second, it would mitigate the imposition of
13 late-filing penalties in tiered pass-through entity
14 structures; third, it would require a pass-through
15 entity to withhold tax at the nonresident owner's
16 highest marginal tax rate rather than at a flat 7
17 percent tax rate.

18 The proposed amendments to the final regulations
19 would provide for three minor changes: First, they
20 would incorporate the language in the Proposed
21 Regulation relating to domestic pass-through entity
22 withholding to ensure consistency across all withholding
23 regulations; second, they would revise the final
24 regulations to more closely reflect language in the
25 Internal Revenue Code and Treasury Regulations relating

1 to withholding on foreign partners; third, they would
2 clarify the rules -- withholding rules for trusts and
3 estates.

4 The Proposed Regulation and the Proposed
5 Amendments to the Final Regulations that are the subject
6 of our request are set forth in the request for
7 permission to proceed with the formal regulatory process
8 and accompanying exhibits provided to this Board.

9 There has been significant engagement and
10 collaboration with the public through two interested
11 parties meetings and three notices seeking public
12 comments on draft language. The initial drafts of the
13 Proposed Regulation and Proposed Amendments to the Final
14 Regulations and each revision of the Proposed Regulation
15 were published to the public after multiple
16 cross-divisional meetings and reviews within the
17 department.

18 Accordingly, we request the Board's permission to
19 proceed with the formal regulatory process to adopt the
20 Proposed Regulation and to amend the Final Regulations.

21 I am happy to answer any questions you may have.

22 CHAIRPERSON YEE: Great. Thank you very much,
23 Leah, and really appreciate the engagement of all the
24 interested parties. And I believe that all are in
25 agreement, so really appreciate the great work here.

1 Members, any comments or questions?

2 MEMBER VAZQUEZ: I would just echo your comments,
3 Madam Chair.

4 CHAIRPERSON YEE: Okay. Thank you.

5 And let me just see if there are any members of
6 the public who wish to speak on this item.

7 PHONE MODERATOR: Thank you. Ladies and
8 gentlemen on the phone lines, if you would like to place
9 yourself in the queue for public comment, as a reminder,
10 you may press 1, then 0, at this time.

11 No members of the public are queuing up at this
12 time. Please continue.

13 CHAIRPERSON YEE: Great. Thank you very much. I
14 would just also note that both of these regulations will
15 help with the tax gap issue as well that we talked about
16 earlier. So very timely.

17 All right. Hearing none, is there a motion on
18 this -- on this regulation and the proposed amendments?

19 MEMBER VAZQUEZ: So moved.

20 CHAIRPERSON YEE: Okay.

21 MEMBER MILLER: Second.

22 CHAIRPERSON YEE: Motion by Member Vazquez.

23 Seconded by Member Miller.

24 Without objection, such will be the order. So
25 that is approval to move forward with the formal

1 regulatory process for Proposed Regulation 18662-7 and
2 the proposed amendments to Regulation 18662-0 through
3 18662-6 and 18662-8.

4 Thank you very much, Leah.

5 MS. THYBERG: Thank you.

6 CHAIRPERSON YEE: Okay. We will now move on to
7 the second regulatory matter, and that relates to
8 Proposed Regulation 25136-2 related to market-based
9 sourcing.

10 And here we will have Tom. Are you on deck?

11 MR. LO GROSSMAN: Yes. Good afternoon, Madam
12 Chair and Members of the Board.

13 CHAIRPERSON YEE: Thank you. Good afternoon.

14 MR. LO GROSSMAN: My name is Thomas Lo Grossman,
15 and I'm an attorney for the Legal Division.

16 We are seeking the Board's permission to proceed
17 with the formal regulatory process to amend California
18 Code of Regulations, Title 18, Section 25136-2. I will
19 briefly discuss why there is a need for the regulation,
20 what the proposed amendment does, and our process of
21 working with the public in developing the regulation.

22 The net income of businesses that do business
23 both within and without California is generally subject
24 to taxation by the State of California. This can occur
25 either through the corporate franchise tax or through

1 taxation of an individual's income where a net income
2 tax does not occur at the entity level. The portion of
3 the worldwide net income of such businesses that is
4 deemed to be California-sourced income is determined by
5 apportionment formula. For most businesses the
6 apportionment formula is based entirely on sales, with a
7 greater proportion of a business's net gains or losses
8 attributed to California if a greater proportion of its
9 sales are sourced to California.

10 Some industries and classes of transactions have
11 a sourcing rule specific and appropriate to that
12 specific industry or transaction. However, Regulation
13 25136-2, which formally assigns sales of other than
14 tangible personal property, functions as the default
15 rule for determining which of a business's sales should
16 be sourced to California. As a default rule, the
17 universe of transactions subject to Regulation 25136-2
18 is quite broad.

19 In the course of administering Regulation 25136-2
20 since the regulation was initially promulgated, staff
21 has learned that simplifying the rules is in the
22 interests of both taxpayers and the department as it
23 increases both compliance and administrability.

24 Staff has also learned from experience that for
25 certain industries, all parties are best served with

1 rules specifically tailored to that particular industry.
2 This regulatory amendment project seeks to improve
3 compliance and administrability both through
4 simplification of the default rule and through creating
5 specific rules for certain professional service
6 industries.

7 The proposed amendments seek to improve
8 compliance with and administrability of Regulation
9 25136-2 through simplifying amendments to the
10 regulation.

11 The major components of the proposed amendments
12 include: Addition of a rule for sourcing asset
13 management services; addition of a rule for sourcing
14 professional services; clarification of the rule for
15 sourcing sales of securities; addition of a rule for
16 government services; simplification of the cascading
17 rules for sourcing generic services; and clarifications
18 of the rules for using reasonable approximation as a
19 sourcing methodology.

20 We have held six interested parties meetings and
21 published six drafts of the proposed regulation language
22 to the public on the FTB regulatory activity webpage.

23 At the first interested parties meeting, FTB
24 staff and other interested parties discussed a number of
25 topics related to the sourcing of sales of other than

1 tangible personal property.

2 At each of the following interested parties
3 meeting, interested parties provided various feedback
4 and suggested changes to each draft of the proposed
5 regulatory language, which led to six iterations of the
6 proposed regulation language. The latest draft of the
7 proposed regulatory language, dated June 4th, 2021, is
8 posted on the FTB regulatory activity page. These
9 changes are reflected in the documents provided in your
10 materials.

11 Again, we request the Board's permission to
12 proceed with the formal regulatory process to amend
13 Regulation 25136-2.

14 I am happy to answer any questions you may have.

15 CHAIRPERSON YEE: Thank you very much, Tom, for
16 the presentation.

17 Members, questions or comments?

18 MEMBER MILLER: Madam Chair, just, you know, this
19 has been, obviously, an issue for a really long time,
20 and I think the work of FTB to really work with
21 interested parties on these sourcing requirements are
22 really, really important.

23 And just really do look forward to engagement on
24 this issue because it's important that we get it right
25 and I think has -- as you say, with the previous

1 regulation, as well, you know, big ramifications on not
2 only on the tax gap but having kind of the integrity of
3 our tax system.

4 So I just applaud the work that's been done and
5 the iterations and look forward to more input from
6 stakeholders, just to make sure that they understand how
7 important this is to the State.

8 CHAIRPERSON YEE: Absolutely. Thank you, Member
9 Miller. Couldn't agree more.

10 Member Vazquez, any comment before I turn to the
11 public?

12 MEMBER VAZQUEZ: I would just agree. You know, I
13 think it's a real key issue and I'm looking forward to
14 that discussion here really soon.

15 CHAIRPERSON YEE: Okay.

16 MEMBER VAZQUEZ: Thank you to staff for bringing
17 it back and giving us the updates.

18 CHAIRPERSON YEE: Great. Thank you.

19 Let me now see if there are any members of the
20 public who wish to speak on this item.

21 PHONE MODERATOR: Thank you. Ladies and
22 gentlemen on the phone lines, if you would like to place
23 yourself in the queue for public comment, as a reminder,
24 you may press 1, then 0, at this time.

25 And we'll go to the line of Jason Fox. Please go

1 ahead.

2 CHAIRPERSON YEE: Okay. Good afternoon, Mr. Fox.

3 MR. FOX: Hi. My name is Jason Fox. I'm Vice
4 President of Government Relations for the California
5 Society of Certified Public Accountants. And I would
6 like to speak specifically to the market-based sourcing
7 regulatory package.

8 To begin with, I want to echo and thank the FTB
9 staff for working with us throughout the revision
10 process, particularly for the proposed professional
11 services rule on this regulation. It's a critical step
12 towards providing the necessary clarity for professional
13 service providers.

14 While the current version of the proposed
15 regulations have greatly improved through the interested
16 parties process, there are still some small but
17 significant issues specific to the accounting profession
18 that were not addressed in the last IPM.

19 As part of the six interested parties meetings,
20 CalCPA sent a letter dated July 1 outlining some of
21 these issues and some of the inconsistencies that will
22 likely cause confusion and administrative challenges for
23 many multistate accounting firms.

24 Specifically, the Proposed Regulation provides
25 for the grouping of large volume of, quote,

1 substantially similar, end quote, professional services,
2 but it is unclear what "substantially similar" means.

3 And examples are, currently the draft regulation
4 regarding this rule are inconsistent as to how broad or
5 how narrow taxpayers should define "substantially
6 similar" when grouping a professional service --
7 services together.

8 For instance, in one example, all tax services
9 are combined as "substantially similar," but, in another
10 example, separate tax preparation services are separated
11 from tax controversy services. The lack of clarity on
12 how to accurately apply these rules will create
13 significant administrative challenges for the accounting
14 firms and likely for FTB through the enforcement and
15 compliance process.

16 In our letter, we suggest specific changes to
17 address our concerns. So we would ask the FTB to
18 consider incorporating those clarifications into the
19 regulations or, you know, if it's the Board's pleasure
20 to work with FTB staff on further modifications that
21 would address those concerns.

22 So thank you for your time and consideration of
23 this important issue for the accounting profession.

24 CHAIRPERSON YEE: Thank you, Mr. Fox, for coming
25 forward.

1 Let me just see if I can get all of the public
2 comment before we respond to them.

3 Are there other members of the public who wish to
4 speak on this item?

5 PHONE MODERATOR: Thank you.

6 There are no further public comments in queue at
7 this time.

8 Please continue.

9 CHAIRPERSON YEE: Great. Thank you very much.

10 Ms. Brunett, I see you on the line. Can you
11 comment on the -- on Mr. Fox's suggestions about
12 improving the proposed rule and also to address their
13 concerns?

14 It seems to me, this is something that is
15 probably worthy of another, kind of, fresh look at, and
16 I'm certainly happy to state our willingness to continue
17 to work with them, but it just seems to me that what we
18 have done through six interested parties meetings is
19 pretty substantial, that we should move forward with,
20 that if you have any thoughts on that.

21 CHIEF COUNSEL BRUNETT: Sure. I will -- I will
22 start, and then if Shane has any additional thoughts, I
23 will let him jump in.

24 We received the letter as well, and we have had
25 quite a bit of discussion here.

1 And in the formal regulatory process, we will
2 definitely be looking at those suggestions and we'll be
3 wanting to work with Mr. Fox on those, and, to the
4 extent we can, make some additional changes, so we are
5 giving that thoughtful consideration already.

6 And should your Board approve us to go forward
7 with the formal regulatory process, we will work with
8 them in that process on those comments and thoughts.

9 CHAIRPERSON YEE: Okay. That sounds great.

10 So Mr. Fox, if you are still listening, this is
11 something that the staff is very willing to continue to
12 work with you as this proceeds to the formal regulatory
13 process. So why don't we leave that there.

14 I think there was -- if I recall, there was a
15 particular concern about one of the examples in the
16 proposed rule, that may, actually, have merit with
17 respect to clarifying that now, before we proceed.

18 Ms. Brunett, do you have a thought on that? I
19 think it was Example 3 in the proposed rule.

20 CHIEF COUNSEL BRUNETT: Yeah. Shane, did you
21 want to respond to that one?

22 MR. HOFELING: You bet. I'd be happy to.

23 Yes, you are right, Controller. In looking at
24 Example 3, we realized that it was unnecessarily narrow.
25 And so we will revise Example 3 and expand that to make

1 it more broad when we submit the final version to the
2 Office of Administrative Law, if that is okay with you
3 and your Board.

4 CHAIRPERSON YEE: Absolutely. Okay. Good.
5 Good.

6 All right. So -- so we will then look at --
7 Members, I would propose that we approve moving forward
8 with the formal regulatory process for Proposed
9 Regulation 25136-2 related to Market-Based Sourcing.

10 I will ask the Franchise Tax Board to revise
11 Example 3 in the proposed rule so it really reflects the
12 broader definition.

13 And then to ask that they further work with
14 CalCPA on the modifications to the proposed rule as it's
15 going through that process.

16 So I will make that a motion.

17 Is there a second?

18 MEMBER VAZQUEZ: I will second it.

19 CHAIRPERSON YEE: Oh, actually -- and we'll put a
20 pin on that while I see if there's any other comments --
21 (unreportable cross-talk) --

22 MEMBER VAZQUEZ: -- public comment.

23 CHAIRPERSON YEE: Yeah. Did you want to comment?
24 I'm sorry, Mr. Vazquez. You looked like you were going
25 to make a comment.

1 MEMBER VAZQUEZ: I was just going to say, you
2 know, I was -- I'm glad that you incorporated the --
3 basically the little amendment to what we heard from the
4 public, especially from Mr. Fox. It sounds like he's
5 got some interesting, hopefully helpful, ideas that
6 could make our policy a little bit stronger.

7 CHAIRPERSON YEE: Okay. Good. Thank you.

8 MEMBER MILLER: Madam Chair, just on that point.
9 I am happy to support your motion.

10 I just want to clarify that we're not requiring
11 an amendment at this time, based on those comments, just
12 because we haven't had time to analyze them. It will
13 just be something that the Board looks into it; is that
14 correct?

15 CHAIRPERSON YEE: Yes. Yes.

16 MEMBER MILLER: Okay.

17 CHAIRPERSON YEE: And I think there was more of a
18 willingness to revise Example 3 just because there's
19 agreement about the narrowness of that. But with
20 respect to the other concerns raised by CalCPA, those
21 would be considered in the course of the regulatory
22 process going forward.

23 MEMBER MILLER: Thank you very much for that.

24 CHAIRPERSON YEE: You are welcome.

25 All right. We have a motion and a second by

1 Member Vazquez.

2 MEMBER VAZQUEZ: Yes. Do we need to listen to
3 the public? I know you were going to ask public input
4 on this.

5 CHAIRPERSON YEE: I think we heard from Mr. Fox.
6 And I don't know if --

7 MEMBER VAZQUEZ: Oh, was that it? Okay.

8 CHAIRPERSON YEE: Yes. Uh-huh.

9 MEMBER VAZQUEZ: Okay. Thanks.

10 CHAIRPERSON YEE: All right. So without
11 objection, such will be the order.

12 Thank you very much.

13 Members, we are on Item Number 8. These are
14 administrative matters. We have two parts to this.

15 So first we will hear from Thi Luong and Jeanne
16 Harriman. They will be presenting our 2022/23 budget
17 change proposals. This is an action item. Followed,
18 then, by Michael Banuelos who will be presenting the
19 contracts over a million dollars for Board approval as
20 well.

21 And I think, Member Miller, you won't be
22 participating in the first item. Okay. Great. Thank
23 you.

24 All right. So let's have Thi and Jeanne, if you
25 are on board.

1 MS. HARRIMAN: Good afternoon. Thank you, Madam
2 Chair, and hello to everyone, including other members of
3 the Board.

4 My name is Jeanne Harriman. I am the Chief
5 Financial Officer at Franchise Tax Board.

6 I'm here today with Thi Luong, the Director of
7 the Financial Management Bureau, to present our fiscal
8 year 2022/23 Budget Change Proposals for your approval.

9 With your support, we will provide a brief
10 overview of each of the proposals and then answer any
11 questions you may have. For 22/23 fiscal year, FTB has
12 identified nine budget change proposals.

13 The first one is related to the EDR2 project.
14 The start of fiscal year 22/23 will see FTB enter into
15 the second year of that project effort. We will
16 continue to build on the foundation set by EDR for
17 centralizing technology solutions supporting key
18 business functions across the enterprise. EDR2 builds
19 on this platform by expanding enterprise case management
20 and modeling services for audit, filing enforcement, and
21 accounts receivable functions as well as expanding on
22 customer service tools, including the taxpayer folder,
23 externally known as MyFTB.

24 This proposal requests an augmentation of
25 \$150.9 million of the second year of the project. This

1 includes funding for 20 permanent positions, 23 and a
2 half full-time equivalent limited-term positions, and 21
3 permanent intermittent positions. This also includes
4 \$132.5 million for payment to the Solution Partners.

5 Following the statewide process established to
6 support funding for the larger projects, an annual BCP
7 is required for new costs related to that specific year,
8 much like you displayed in our current BCP. Costs
9 within this BCP can be ongoing, limited-term, or
10 one-time, as noted in the BCP narrative.

11 One additional factor I would point out is that
12 this BCP does include a reference to prior recognized
13 tax gap estimate of \$10 billion.

14 With today's presentation to the Board of the
15 restated tax gap estimate of \$24 billion, this BCP will
16 be now updated to reflect this new estimate. Updating
17 this reference will not result in any changes to the
18 resources requested.

19 During the second year of the project, FTB is
20 requesting resources to support various stages of
21 website enhancements, modeling, education and outreach
22 campaigns, and enhanced data capture. We're also going
23 to continue the functions associated with training,
24 security, change management, HR matters, data
25 management, as well as oversight functions.

1 The next proposal has to do with accessibility
2 enhancements for our web and form products. This
3 proposal requests 19 permanent and one two-year
4 limited-term positions with relating funding, as well as
5 additional funding as noted in the BCP for software.

6 These resources will allow FTB to continue to
7 apply mandated accessibility standards on its website,
8 web applications, tax forms, business forms,
9 instructions, publications, and tax return displays.

10 Accessibility refers to the practice of making
11 products, services, websites, and environments usable by
12 all individuals. When you correctly design, develop,
13 and edit services, all users have equal or comparable
14 access to information and functionality. While FTB has
15 been addressing accessibility over the past years, as
16 FTB updates its products for accessibility, the workload
17 surrounding these products continue to grow and increase
18 in complexity.

19 FTB has also utilized all software and other
20 approaches recommended by statewide partners to manage
21 accessibility issues. The recommended software products
22 have been successfully used, and FTB is requesting
23 funding within this BCP for these tools ongoing. FTB
24 has not had reliable or sustainable success utilizing a
25 vendor to meet other needs, primarily due to the

1 intersection of our tax forms with our tax return
2 scanning environment. As a result, most of the
3 additional resources in this BCP are requested so that
4 we can engage in this important work with FTB staff.
5 Without an increase in these permanent positions and
6 funding, FTB may be unable to continue to incorporate
7 accessibility standards to its most critical products,
8 self-service channels, and applications.

9 Thi will now present the next two proposals.

10 MS. LUONG: Thank you, Jeanne, and good
11 afternoon, everyone.

12 Proposal 3 is for the identity proofing and
13 online fraud detection, which requests 17 permanent and
14 one one-year limited-term position, beginning in fiscal
15 year 22/23, with related funding. These resources are
16 required to accommodate new workloads as well as growth
17 within the Privacy, Security, and Disclosure Bureau.

18 Online fraud is on the rise and continues to be a
19 pervasive issue across all industries. In addition to
20 attempting to break through our security firewalls and
21 systems, fraudsters are now attempting to unlawfully use
22 information that they have illegally obtained to gain
23 access to our online self-service tools, either to gain
24 additional information or to engage in activities to
25 generate a refund.

1 These three sources will ensure that FTB's
2 systems continue to allow our authenticated taxpayers
3 and tax professionals access, while making every attempt
4 to ensure that fraudsters are not allowed in.

5 And Proposal 4 is for FI\$Cal, which requests six
6 permanent positions and five classification upgrades,
7 beginning in fiscal year 22/23 with related funding.

8 In 2018, FTB implemented FI\$Cal, California's
9 statewide accounting, budget, cash management, and
10 procurement system. FTB is fully committed to FI\$Cal
11 and have modified our processes to sync up with FI\$Cal.
12 However, the new system has brought a sustained increase
13 in volume, complexity, and reviews. These resources
14 will allow FTB to conduct accounting, procurement,
15 budgeting, and resource management functions effectively
16 and within mandated time frames.

17 I will now turn it back to Jeanne for Proposals 5
18 and 6.

19 MS. HARRIMAN: Thanks, Thi.

20 Proposal 5 supports FTB's Political Reform Audit
21 program and requests 12 permanent and two three-year
22 limited-term positions beginning in 22/23 with related
23 funding.

24 Over the years, the Political Reform Audit
25 program has continued to increase in complexity, as

1 additional disclosure and filing requirements,
2 contribution limitations, and audit verification steps
3 have been adopted or mandated. As a result of the
4 increase in the size and complexity of the audits, FTB
5 is unable to complete many of the mandated audits with
6 current resources. These additional resources requested
7 in the budget change proposal will allow FTB to complete
8 the audits as mandated by the Political Reform Act.

9 Proposal 6 supports FTB's workload to accommodate
10 the requirements of section 41. The Franchise Tax Board
11 is requesting four permanent positions in 22/23 and an
12 additional one position in 24/25 with related funding.
13 This will allow the FTB to manage the increasing
14 workload due to the volume of the bills with the Revenue
15 and Taxation Code section 41 reporting requirement.

16 Section 41 was initially enacted in 2016 and
17 required various annual reports for certain tax credits.

18 In 2019, section 41 was expanded to include an
19 annual report on all relevant tax expenditures. This
20 workload expansion requires FTB to ensure relevant data
21 is accessible and that the data is either used by FTB to
22 prepare the required annual report or the information
23 can be provided to another department, who is
24 responsible for preparing that annual report.

25 These resources will ensure that FTB can

1 accomplish this workload timely and with the due
2 diligence necessary.

3 Thi will now discuss the remaining proposals.

4 Thank you.

5 MS. LUONG: Thanks, Jeanne.

6 Proposal 7 is the Infrastructure Project Refresh,
7 which requests \$9.2 million over the next three fiscal
8 years to refresh a portion of FTB's network
9 infrastructure. FTB's programs rely heavily on the
10 network infrastructure to support our return processing
11 and compliance operations.

12 In fiscal year 16/17, FTB received approval and
13 funding to refresh our infrastructure in phases. It is
14 now time again for a second major refresh, as some
15 components are now reaching end of life and others are
16 experiencing capacity constraints. This funding will
17 allow FTB to refresh each component and ensure FTB can
18 successfully continue business functions with protection
19 from major outages and security breaches.

20 Proposal 8 is for the Enterprise Storage and
21 Fiber Channel Switch Refresh, which requests
22 \$6.8 million in fiscal year 22/23, to refresh
23 end-of-life equipment and software within FTB's
24 enterprise storage system and storage area network
25 switches.

1 The current switches and software were installed
2 in 2015 and must be replaced to prevent risk of failing
3 and unsupported hardware, which would significantly
4 impact FTB's operations. The refresh will provide
5 updated hardware components, improve performance, and
6 address the software security compliance.

7 Our final proposal, Proposal 9, is for the
8 Microsoft Enterprise License Agreement, which requests
9 \$4.4 million over the next three fiscal years to
10 establish a fully funded baseline for FTB's
11 implementation of the State Master Agreement for
12 Microsoft 365.

13 This package provides FTB with productivity,
14 communication, and security software tools that are
15 needed to carry out our revenue generating work and
16 provide taxpayer assistance. This augmentation ensures
17 that FTB can adequately fund these costs without
18 modifying our existing operations.

19 And those are the nine Budget Change Proposals
20 that we have presented for the fiscal year 22/23. Thank
21 you so much for your time today and we would like to
22 formally ask for your approval of these proposals, and
23 we would be happy to answer any questions you may have.

24 CHAIRPERSON YEE: Thank you both, Thi and Jeanne,
25 for the presentation.

1 Member Vazquez, any questions or comments?

2 MEMBER VAZQUEZ: I'm not a big techie, but I
3 understand, you know, we need to, obviously, upgrade our
4 systems. And I know these things are constantly
5 changing, and the latest and the greatest, obviously, is
6 happening as we speak. So I understand.

7 And I think it's -- to me, at least from what I'm
8 reading and hearing, it sounds like it's the best use,
9 at this point, to hopefully maximize our resources and
10 our staff.

11 CHAIRPERSON YEE: All right. Thank you very
12 much.

13 I had a question regarding the third BCP on
14 identity proofing and online fraud detection, clearly
15 becoming more and more of a problem. And just wanted to
16 get a sense of whether, certainly being experienced in
17 other parts of state government as well, or government
18 generally, and whether there's a -- I guess, is there
19 kind of a statewide approach to how we look at what we
20 ought to be pursuing?

21 I mean, I'm just -- or is it just so specific in
22 terms of, you know, each agency to agency, I guess is my
23 first question.

24 Then my second question is, do we ever consult
25 with, for example, law enforcement or, you know, other

1 entities who really have to, you know, penetrate deeply
2 into, you know, these types of issues to see whether
3 there are recommendations for what we ought to be
4 pursuing?

5 MS. HARRIMAN: I can step in and help with that.

6 So the answer to most of the questions you asked
7 is, yes.

8 Let me start off by talking about, there is some
9 uniqueness, right? We have perpetrators attempting to
10 access our systems. But the behavior that they
11 typically display is common across many different
12 attempts --

13 CHAIRPERSON YEE: Right.

14 MS. HARRIMAN: -- that they make across systems.
15 So they may be attempting to create unique access points
16 through our systems, but we find them using tips and
17 tricks that are common across the security world.

18 That security world -- our security staff is
19 great, and they actually have numerous intersections
20 with state-wide chains and state-wide offices that are
21 combating security issues across the state.

22 So there's education, of course; there's tips
23 that are shared; there's alerts that are shared, all of
24 which enhances the effort at the state level and across
25 the Board, within Franchise Tax Board.

1 CHAIRPERSON YEE: Great. Thank you. Appreciate
2 the response.

3 Okay. Let me move and see if there are any
4 members of the public who wish to address any of the
5 budget change proposals just presented.

6 PHONE MODERATOR: Thank you. Ladies and
7 gentlemen on the phone lines, if you would like to place
8 yourself in the queue for public comment, as a reminder,
9 you may press 1, then 0, at this time.

10 (No response.)

11 PHONE MODERATOR: No members of the public are
12 queuing up at this time.

13 Please continue.

14 CHAIRPERSON YEE: Thank you very much.

15 So at this point, Mr. -- Member Vazquez, I'm
16 happy to move approval of the nine BCPs presented.

17 Would you care to second?

18 MEMBER VAZQUEZ: I will follow your lead. Yes, I
19 will second.

20 CHAIRPERSON YEE: Okay. Great. Thank you so
21 much.

22 And noting Member Miller not participating, that
23 motion carries.

24 Thank you very much.

25 MS. HARRIMAN: Thank you.

1 CHAIRPERSON YEE: All right. We will now --
2 let's see. Michael, are you on board?

3 MR. BANUELOS: I am. Yes, ma'am. I am here.

4 CHAIRPERSON YEE: All right. Great. Thank you.
5 Good afternoon.

6 MR. BANUELOS: Good afternoon, Madam Chair and
7 Members of the Board. It's very nice to see all of you
8 again.

9 My name is Michael Banuelos, and I'm the Director
10 of the Franchise Tax Board's Procurement Bureau. So as
11 is usual, my friends Jeanne and Thi get to request the
12 funding through the BCP process, and then I get to come
13 along and seek approval to spend those funds. So
14 there's a tie-in there together.

15 I'm actually here today to present four proposed
16 procurements that will result in contracts over
17 \$1 million for the Board's consideration and approval.
18 With your permission, I will present the contracts and
19 then would be glad to answer any questions that you may
20 have.

21 CHAIRPERSON YEE: Great.

22 MR. BANUELOS: The first request is related to an
23 interagency agreement with the California Department of
24 Community Services and Development, also referred to as
25 CSD. And it relates to outreach activities, which have

1 been mentioned previously in today's meeting.

2 In the fiscal year 21/22 budget, \$15 million was
3 included for outreach activities to maximize
4 participation and claiming of the Golden State Stimulus
5 I and II, the California Earned Income Tax Credit, the
6 Young Child Tax Credit, and to increase awareness of
7 individual taxpayer identification tax status
8 eligibility. These outreach funds are targeted to
9 nonprofit and community-based organizations.

10 In order to effectuate this, similar to past
11 years, we plan on entering into an interagency agreement
12 with CSD in order to leverage their existing grant
13 processes. The total amount of agreement will be
14 \$15 million for the outreach funds plus CSD's operations
15 costs to administer the grants.

16 I would like to note that the next three
17 contracts I'm presenting are essentially maintenance
18 contracts for tools that are already in use within FTB's
19 technical environment.

20 So the first of these is a request to renew a
21 license agreement for VMware software products. VMware
22 is a software utilized to virtualize FTB's servers as
23 well as provide desktop functionality. All of FTB's
24 external-facing services -- electronic and paper filing,
25 bank deposits, e-mail, and authentication systems --

1 rely on the software under this contract.

2 In addition, these tools are also necessary --
3 necessary to provide remote access to our employees, and
4 this has been a critical resource as we increase our
5 teleworking presence.

6 Our existing agreement expires in December of
7 2021, and we are anticipating a one-year agreement with
8 an estimated value of approximately \$1.1 million, and we
9 plan on using the Department of General Services
10 Software Licensing Program to conduct the procurement.

11 Our next request is for the Board's approval to
12 renew our software subscription and support contract for
13 IBM's software products. IBM's Passport Advantage is
14 one of IBM's programs geared -- geared towards larger
15 organizations. It keeps licenses, subscriptions,
16 upgrades, and technical support under a common set of
17 agreements.

18 Without this agreement, several of our
19 mission-critical applications, including our accounts
20 receivable, collection, and case management systems will
21 be unavailable, thus limiting our ability to process tax
22 returns and serve taxpayers.

23 The current contract will expire on
24 December 31st, 2021, and the estimated one-year renewal
25 is \$12.5 million. If approved, we will work with the

1 Department of Technology on conducting the bid.

2 And last but not least, our final request seeks
3 approval to renew our maintenance agreements for Cisco
4 hardware and software products. FTB's network is
5 comprised of upwards of 6,000 Cisco products, ranging
6 from telephones, network switches, routers, firewalls,
7 and security equipment. Without this maintenance
8 agreement, we would not be able to maintain our critical
9 network infrastructure, and that would be a significant
10 operational risk to FTB.

11 Our existing agreement valued at \$986,000 expires
12 in October of 2021. We're currently pursuing a one-year
13 agreement for approximately \$1 million.

14 At this time, I'm respectfully requesting your
15 approval of these efforts and would be happy to answer
16 any questions you may have.

17 CHAIRPERSON YEE: Thank you very much, Michael.

18 Members, any questions or comments on this item?

19 MEMBER MILLER: No questions.

20 MEMBER VAZQUEZ: I'm sorry. Go ahead. Go ahead,
21 Gayle.

22 MEMBER MILLER: Oh, I'm sorry, Mr. Vazquez.

23 Is it possible, Madam Chair, for me to recuse
24 myself from the third contract?

25 CHAIRPERSON YEE: Sure. We will take that up

1 separately.

2 MEMBER MILLER: Okay. Thank you. I appreciate
3 that. Thank you very much.

4 CHAIRPERSON YEE: Sure.

5 MEMBER VAZQUEZ: Madam Chair, just a quick
6 question on the first part, on the outreach program.

7 CHAIRPERSON YEE: Yes.

8 MEMBER VAZQUEZ: Does that include staffing as
9 well, or is it just enhancing resources to the current
10 staff?

11 MR. BANUELOS: So are you talking -- do you mean
12 enhancing -- for the -- for the local community-based
13 organizations, the staffing on their end?

14 MEMBER VAZQUEZ: Yes. Yes.

15 MR. BANUELOS: You know, I believe it is. I
16 can't say with a hundred percent certainty. But I'm
17 pretty sure what we do is when we ask them, when we go
18 out with essentially -- when CSD essentially goes out
19 with a bid, we're looking more at activities that they
20 are performing, making sure that the activities are not
21 duplicated. And that we're not covering different
22 areas. We wouldn't want to spend the same dollar
23 covering two different areas. But, you know, I can't
24 say with a hundred percent certainty, but that is
25 something that we can follow up on.

1 MEMBER VAZQUEZ: I appreciate it.

2 MR. BANUELOS: Sure.

3 CHAIRPERSON YEE: Thank you, Member Vazquez.

4 All right. Let me see if there are any --

5 MEMBER MILLER: I apologize. I misspoke. I need
6 to recuse myself from the fourth contract.

7 CHAIRPERSON YEE: Oh, the fourth one? Okay.

8 MEMBER MILLER: Yeah. I apologize for that.

9 CHAIRPERSON YEE: No problem.

10 MEMBER MILLER: Thank you.

11 CHAIRPERSON YEE: Okay. Let me see if there are
12 any members of the public who wish to speak on this
13 item.

14 PHONE MODERATOR: Thank you. Ladies and
15 gentlemen on the phone lines, if you would like to place
16 yourself in queue for public comment, as a reminder, you
17 may press 1, then 0, at this time.

18 (No response.)

19 PHONE MODERATOR: No members of the public are
20 queuing up at this time.

21 Please continue.

22 CHAIRPERSON YEE: Okay. Thank you. Ms. Brunett,
23 I see you -- did you have a comment?

24 (No response.)

25 CHAIRPERSON YEE: Okay. Very well. Thank you.

1 So why don't we take these up in this order: I will
2 make a motion to approve the Contracts 1, 2, and 3, the
3 interagency agreement with the California Department of
4 Community Services and Development; the VMware software
5 license agreement renewal; and the IBM Passport
6 Advantage software renewal.

7 I will move approval of these.

8 MEMBER MILLER: Second.

9 CHAIRPERSON YEE: Okay. A second by Member
10 Miller.

11 Without objection, such will be the order.

12 And then on the fourth contract, the Cisco
13 maintenance renewal contract, with Member Miller not
14 participating, I will move approval of that.

15 Mr. -- Member Vazquez, do you second?

16 MEMBER VAZQUEZ: And I will second that.

17 CHAIRPERSON YEE: Okay. Very well. We have a
18 motion and a second.

19 Without objection, that contract is approved.

20 Thank you.

21 MR. BANUELOS: All right. Thank you for your
22 time this afternoon and your continued support. I
23 appreciate it.

24 CHAIRPERSON YEE: Thank you, Michael. All right.
25 Thank you.

1 Members, we now will move on to Item 9. This is
2 Executive Officer's Time and we will hear from our
3 Executive Officer, Selvi Stanislaus.

4 EXECUTIVE OFFICER STANISLAUS: Thank you,
5 Honorable Madam Chair, and good afternoon, Board
6 Members.

7 I first want to thank our staff for once again
8 working tirelessly to put this Board meeting together.
9 The exhibited great teamwork and flexibility to ensure
10 the success of this virtual Board meeting.

11 I also would like to commend my FTB family on the
12 exceptional service they continue to provide our
13 customers during these challenging times. Throughout
14 the pandemic, FTB has played an important role helping
15 our fellow Californians. We are called upon to assist
16 in administering two multibillion-dollar economic relief
17 programs during this COVID-19 crisis, while also
18 fulfilling our usual responsibilities of tax
19 administration. I'm so proud of the way FTB employees
20 responded to this significant task, a responsibility we
21 take very seriously.

22 We have been able to deliver, as you saw,
23 financial assistance in the form of Golden Gate stimulus
24 payments to millions of Californians in need. The
25 execution by our staff has been extraordinary, and this

1 experience has illustrated just how important the work
2 we do at FTB truly is.

3 I also want to thank the tax reps, the
4 Legislature, the Governor's Office, and all taxpayers
5 for the receptivity and for continuing to work with us
6 during this complicated tax season.

7 Our employees going above and beyond doesn't stop
8 here. As you know, many Californians have been affected
9 by wildfires spread across the state, some even
10 devastating entire towns. FTB staff has attended Local
11 Assistance Centers and provided assistance to survivors
12 in many of the affected counties. These centers provide
13 critical government services for residents who have been
14 impacted by the fires.

15 Also, in an effort to provide relief to our
16 taxpayers, FTB implemented a 60-day suspension of bills
17 and notices for the counties affected by our
18 Governor-declared state of emergency spurred by the
19 fires. These suspensions involved quick decision
20 making, execution, and coordination between various FTB
21 departments.

22 I would also like to acknowledge all of our FTB
23 employees, whether working in the office, like many of
24 us here today, or teleworking, staff continues to
25 provide excellent service to our taxpayers, and our

1 managers continue to navigate them through the
2 challenges we face due to the ongoing pandemic.

3 Thank you to all of today's presenters. We heard
4 some outstanding presentations, and it's a testament to
5 your dedication and the preparation you all put into
6 your work. So this is the type of dedication I see from
7 employees and my staff day in and day out here at FTB.

8 So finally, in closing, I also want to thank our
9 Board members. Your continued support during these
10 challenging times has been tremendous, not only to me
11 personally, but to all of FTB. And to our Chair, the
12 Honorable Betty Yee, your continued guidance and
13 leadership has been instrumental in FTB's success. And
14 I just want to express how much your support and
15 leadership means to us. Thank you, Board Members, for
16 your time.

17 CHAIRPERSON YEE: Thank you, Selvi, very much.
18 And could not agree more, and echo your sentiments about
19 the entire FTB team.

20 I want to just see if there are any members of
21 the public who wish to speak on this item before us.

22 PHONE MODERATOR: Thank you. Ladies and
23 gentlemen on the phone lines, if you would like to place
24 yourself in the queue for public comment, as a reminder,
25 you may press 1, then 0, at this time.

1 (No response.)

2 PHONE MODERATOR: No members of the public are
3 queuing up at this time.

4 Please continue.

5 CHAIRPERSON YEE: Great. Thank you very much.

6 Thank you very much, Selvi, for those comments.

7 Members, we are now on item number 10. This is
8 Board Members' Time, and I'm going to look to each of
9 you for any comments you would like to make at this
10 time.

11 Member Vazquez.

12 MEMBER VAZQUEZ: Just one quick one. And, yeah,
13 I would like to echo the thoughts and, actually, the
14 recommendations and kudos, really, that Selvi, our
15 Executive Director, just mentioned to our staff. And
16 I'm actually looking forward to the day where we can
17 come together, because I was looking forward, right
18 before COVID, to have gone out on a couple of these
19 trips with you and with these mobile units, I understand
20 you have, but I still haven't experienced it, so I'm
21 hoping that's going to happen soon, where I could do
22 this in person and help out with some of the outreach.

23 Especially I'm thinking about some of the
24 low-income communities throughout the state of
25 California, where, you know, we could always do better.

1 I know we do a great job, but I know it's always
2 difficult to reach some of these folks, especially some
3 of the mom-and-pops, and hopefully that will change
4 soon.

5 CHAIRPERSON YEE: Okay. Thank you.

6 Member Miller, any comments?

7 (No response.)

8 CHAIRPERSON YEE: Okay. Great. Thank you.

9 First, let me just say, I think what was really
10 so significant about today's meeting is not only just
11 continuing to serve Californians during this very, very
12 challenging time, but continuing to look internally to
13 see how we can make continuous improvement across the
14 enterprise and also building on the culture.

15 And I just am very thankful to the staff team,
16 the staff leads, for continuing to place that focus, all
17 of it to enhance our ability to carry out the mission
18 and the important work of the Franchise Tax Board. So
19 thank you all very, very much.

20 Before I move to open up time for public comment
21 on this item, I would also like to acknowledge the
22 receipt of written public comments from Ms. Christine
23 Grab that will be added to the record.

24 So let me just check and see, are there any
25 members of the public who wish to speak on this item?

1 PHONE MODERATOR: Thank you. Ladies and
2 gentlemen on the phone lines, if you would like to place
3 yourself in the queue for public comment, as a reminder,
4 you may press 1, then 0, at this time.

5 (No response.)

6 PHONE MODERATOR: No members of the public are
7 queuing up at this time.

8 Please continue.

9 CHAIRPERSON YEE: Thank you very much.

10 Thank you very much, Members.

11 Our next item is the closed session item, so the
12 Board will be going into closed session at this time.
13 We will now be -- we'll return to this virtual platform
14 upon the conclusion of closed session. But at this
15 time, Members, let's move into closed session.

16 Thank you.

17 (Closed session was held: 4:12 p.m. to 4:35 p.m.)

18 CHAIRPERSON YEE: The Board met in closed session
19 and discussed pending litigation.

20 And seeing no other business coming before the
21 Board, which -- this concludes the Franchise Tax Board
22 meeting for today. Thank you very much, Members, and
23 the public. We are adjourned. Take care, everyone.

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MEMBER VAZQUEZ: Thank you.

CHAIRPERSON YEE: Thank you.

(Proceedings concluded at 4:35 p.m.)

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1 CERTIFICATE OF REPORTER

2
3 I, KATHRYN S. SWANK, a Certified Shorthand Reporter
4 of the State of California, do hereby certify:

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

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

14 IN WITNESS WHEREOF, I have hereunto set my hand
15 this 20th day of September 2021.

16
17
18
19
20 /s/ Kathryn S. Swank
21 KATHRYN S. SWANK, CSR
22 Certified Shorthand Reporter
23 License No. 13061
24
25