

STATE OF CALIFORNIA

FRANCHISE TAX BOARD

PUBLIC MEETING

Wednesday, December 6, 2023

1:30 P.M.

GERALD GOLDBERG AUDITORIUM

9646 BUTTERFIELD WAY

SACRAMENTO, CALIFORNIA

STENOGRAPHICALLY REPORTED BY:
EMILY SAMELSON
CSR NO. 14043

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APPEARANCES

BOARD MEMBERS

MALIA M. COHEN
State Controller
(Chairperson of the Board)

ANTONIO VAZQUEZ
Chairperson
Board of Equalization

GAYLE MILLER
Chief Deputy Director of Policy
Department of Finance

HASIB EMRAN
Deputy State Controller, Taxation

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STAFF

SELVI STANISLAUS
Executive Director

CRISTINA RUBALCAVA
Board Liaison

JOZEL L. BRUNETT
Chief Counsel

SHANE HOFELING
Deputy Chief Counsel

DAVID VACA

LAURI DRENNAN

ANGELA FLORES

ERIN CARVEL

L. RED GOBUTY

DENIS ARMSTRONG

THI LUONG

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APPEARANCES CONTINUED

STAFF CONTINUED

JENNIFER BARTON

ANGELA JONES

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ALSO PRESENT

CHRISTINE GRAB, Public Member

JOYCE CHENG, California Society of Enrolled Agents

GINA RODRIGUEZ, Ryan's Advocacy Services Practice

AZIZ AHMAD

ANTIONETTA HOBBY KEMP

STEPHEN BUTLER

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SACRAMENTO, CALIFORNIA

Wednesday, December 6, 2023; 1:30 p.m.

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CHAIRPERSON COHEN: Good afternoon, ladies and gentlemen. Happy holidays to you. Can you believe it? It's already December. I'm so sad that this is our last Board meeting of the year. Just kidding. I'm excited about 2024.

Today's meeting, though, is going to be really interesting because we've got several staff reports prepared. I'm particularly interested in the Diversity, Equity, and Inclusion updates. It's the first of its kind, first time it being presented to the Franchise Tax Board.

So what I would like to do is just call this meeting to order. It's 1:30. This is the scheduled time for the meeting of the Franchise Tax Board.

Would the Board Liaison please call the roll to determine whether a quorum is present.

MS. RUBALCAVA: Member Vazquez.

MEMBER VAZQUEZ: Present.

MS. RUBALCAVA: Member Miller.

(No response.)

CHAIRPERSON COHEN: She will be joining us shortly.

1 MS. RUBALCAVA: Thank you.

2 And Chair-Controller Malia Cohen.

3 CHAIRPERSON COHEN: Present. Thank you.

4 Okay. So at least two members or their
5 designated representatives are here personally.

6 Therefore, we have a quorum, and the Franchise Tax Board
7 is now in session.

8 Please stand and join me in the Pledge of
9 Allegiance. Please place your right hand over your
10 heart and pledge.

11 (Pledge of Allegiance recited in unison.)

12 CHAIRPERSON COHEN: Okay. Good afternoon.

13 Welcome to the Franchise Tax Board's meeting and Annual
14 Taxpayer Bill of Rights hearing. This is an opportunity
15 for the public to comment on each agenda item. If there
16 are any members of the public wishing to speak on an
17 item, please come forward when that item is called.
18 You'll have three minutes to address the Board.

19 For today's meeting, members of the public who
20 wish to comment via teleconference, you're able to call
21 (844) 291-4185, and then you will enter the access code
22 of 195915. Also, please note that there is a short
23 delay between the web live stream and the live event.

24 If there are any members of the public wishing to
25 speak on an item and you are using a translator or a

1 translator service, you'll have six minutes to address
2 this body. And all speakers will be asked to identify
3 themselves just for the record.

4 So the first item, Members, is the approval of
5 the minutes.

6 Madam, could you please call the item.

7 MS. RUBALCAVA: Member Vazquez.

8 CHAIRPERSON COHEN: Let's take public comment on
9 this first. I'm sorry. When I say "call the item," I
10 mean introduce the item.

11 MS. RUBALCAVA: My apologies. It's the minutes
12 of the June 26, 2023, Board meeting.

13 CHAIRPERSON COHEN: That's right. Thank you.

14 So first, let me see. Colleagues, do you have
15 any questions or concerns? Anything glaring in the
16 minutes?

17 MEMBER VAZQUEZ: All good with me.

18 CHAIRPERSON COHEN: Okay. Well, is there any
19 member of the public that wish to speak on this item,
20 either in person or on teleconference?

21 (No response.)

22 CHAIRPERSON COHEN: Okay. Seeing none -- seeing
23 none, may I have a motion to approve the minutes?

24 MEMBER VAZQUEZ: So moved.

25 CHAIRPERSON COHEN: All right. Thank you very

1 much. Motion made by Member Vazquez. I'll second that
2 motion.

3 Please call the roll.

4 MS. RUBALCAVA: Member Vazquez.

5 MEMBER VAZQUEZ: Aye.

6 MS. RUBALCAVA: Controller Malia Cohen.

7 CHAIRPERSON COHEN: Aye.

8 MS. RUBALCAVA: Thank you.

9 CHAIRPERSON COHEN: Thank you. This motion
10 passes -- this item passes unanimously.

11 Next we have Agenda Item Number 2, which is a
12 presentation regarding the Diversity, Equity, and
13 Inclusion. In addition to this presentation, they'll be
14 discussing the Mission and Values update, presented by
15 Mr. David Vaca and Lauri Drennan. Colleagues, this is
16 an informational item.

17 Welcome.

18 MR. VACA: Thank you.

19 Good afternoon, Chair Cohen and Members of the
20 Board. I'm David Vaca from the Public Services Bureau
21 of FTB's Filing Division, and I'm one of the chairs for
22 the Diversity, Equity, and Inclusion Team.

23 As you know, FTB values our employees' unique
24 stories and background. It is this diversity that makes
25 our community and FTB stronger. Over the next few

1 minutes, I, along with Lauri Drennan from the Audit
2 Services, Administration, Protest Bureau of the Audit
3 Division, will show you the ways that our Diversity,
4 Equity, and Inclusion, or DEI Team, and the FTB Mission
5 and Values, or M&V Team, have worked together to enliven
6 our FTB community to foster a sense of inclusivity and
7 camaraderie.

8 While you will hear how our teams' missions are
9 unique, you will also learn about our similarities.
10 When we work together, we are the heartbeat of FTB. We
11 are delighted to share our joint -- greatest joint
12 accomplishment to date to refresh the FTB values by
13 incorporating them with the core principles of DEI.

14 I will turn it over to Lauri to tell you more
15 about the Mission and Values Team.

16 MS. DRENNAN: Our Mission and Values Team mission
17 is to promote the FTB values for employees so they are
18 empowered to support a positive workplace. We are
19 inspired to find creative ways to reach our colleagues
20 as we host events and fundraisers and promote our
21 values.

22 Our 23 team members represent all seven divisions
23 of FTB and apply to join the team during our annual
24 recruitment. Team members find the work deeply
25 meaningful and are wistful about rolling off the M&V

1 team.

2 As we work to fulfill our mission to support a
3 positive workplace, we produced and distributed a 2023
4 calendar for staff featuring inspiring photographs
5 provided by FTB employees.

6 Each month, our team gives a presentation at the
7 new employee orientation to introduce FTB's five values
8 and highlight the work we do throughout the year. We
9 support other employee-focused efforts throughout the
10 Department.

11 This year, team members participated in FTB's
12 Wellness Fair, our Career Awareness Resource event, and
13 next year will provide marketing assistance for the
14 American Heart Association Heart Walk.

15 FTB employees came together to donate 300 new
16 toys and \$500 worth of gift cards from December 5th
17 through the 14th to the CHiPs for Kids toy collection.
18 The overflowing donation bins filled a CHP van. Our
19 team recruited FTB employees to volunteer for the toy
20 distribution. The volunteers helped the children
21 individually pick their favorite toy.

22 We set up and decorated a holiday tree in our
23 Town Center, and while the FTB Choir sang, we sold
24 holiday cards featuring art from employees to raise
25 funds to support the Goldberg Scholarship. We set up a

1 second tree in the Los Angeles building of our Central
2 Office campus. This year, both displays included
3 menorahs and kinaras to represent the holidays of
4 Hanukkah and Kwanzaa.

5 In our Card Kudos fundraiser, we encouraged our
6 staff to recognize others for a job well done by sending
7 cards to colleagues, including special ones with
8 messages of DEI that we worked with the DEI Team to
9 develop.

10 Managers, directors, and supervisors donated more
11 than 30 items to our silent auction fundraiser,
12 including one-on-one mentoring sessions, team-building
13 activities, résumé and interview preparation sessions,
14 and gift cards and baskets.

15 Proceeds from the auction went to fund two
16 Goldberg scholarships named after former Chief Executive
17 Officer Gerald H. Goldberg, which help employees
18 continue their education while working. As you can see
19 from the smiling faces in the photograph from the
20 Goldberg Scholarship in-person event, it was a special
21 day for all of us, including the two FTB employees who
22 were awarded \$1,200 scholarships to offset the cost of
23 their academic programs.

24 I will now turn it over to David to tell you more
25 about the incredible DEI Team.

1 MR. VACA: Thank you, Lauri.

2 What is DEI? Since we'll be referring to DEI
3 throughout the presentation, let's spend a minute to
4 talk about the importance of DEI, which stands for
5 Diversity, Equity, and Inclusion.

6 DEI is greater than the idea of "diversity"
7 alone. Here's one way to think about it. Another
8 person's exterior is only the tip of the iceberg. We
9 are trying to take a broader view when we view others
10 through the frame of DEI. We aim to perceive the entire
11 iceberg, what is above water and below. We aspire to
12 accept and respect the full range of human
13 characteristics. The aim is to understand and to hear
14 one another.

15 The DEI Team purpose. The DEI Team is a part of
16 FTB's commitment to a caring community where employees
17 from a variety of backgrounds, cultures, and personal
18 experiences are welcome, valued, and can thrive in
19 support of FTB's missions and goals.

20 We are happy to share that in the two years since
21 the creation of the DEI Team, we have worked very hard
22 to make an impact on FTB. We celebrated our two-year
23 milestones, and members shared food from various
24 cultures. The celebration also included some short
25 cultural dance performance. We were grateful to have

1 Selvi in attendance and for her commitment to this event
2 and the DEI programs.

3 The DEI Team project overview. We understand the
4 importance of creating an awareness of DEI and of our
5 DEI efforts. DEI Team members and other FTB employees
6 publish monthly articles to FTB employees. We currently
7 have over 30 articles highlighting DEI-related
8 celebrations, observances, and examples of inclusive
9 practice, such as December's DEI observance of
10 International Human Rights Month, and the many ways we
11 each celebrate the holiday season.

12 We partnered with M&V to produce a lunchtime
13 event held at Central Office in our quad area. Our team
14 set up simple outdoor games and created a photobooth
15 with DEI themes. On the photobooth background, our team
16 members included phrases such as "We support each
17 other," "We respect each other," and "We learn from each
18 other." The event helped to inspire a sense of
19 belonging to an organization that embraces all
20 individuals for who they are.

21 We also participated in departmental events, such
22 as our Annual Wellness Fair and our Career Awareness and
23 Resources event.

24 In November, we hosted an event called "FTB's Got
25 Talent." It was a talent showcase with an educational

1 emphasis where performers provided a short
2 historical/cultural background through their
3 performance. We had individuals perform as dancers,
4 singers, and entertainers, and an individual who
5 displayed their visual art. Performances were held in
6 an area where other employees could watch while getting
7 their lunch.

8 On our DEI Team horizon, we are committed to
9 inspire our community, to learn about the concepts at
10 the heart of the Team's missions. We've been hard at
11 work at creating a DEI awareness training for the
12 Department that will be released this winter for FTB's
13 6,000-plus employees. Our DEI awareness training
14 provides employees with an understanding of the DEI
15 terms and principles, gives examples of how FTB supports
16 DEI, and what each of us can do to support DEI at work
17 and at home.

18 I am now going to transition to talk to you about
19 our exciting project that has been a combined effort of
20 our two teams. We have worked together to refresh the
21 FTB values.

22 Our FTB values are refreshed with the DEI
23 principles. Members from the DEI and M&V Team worked
24 diligently last fall to look for ways to infuse the
25 organization's values with DEI principles.

1 We built on the work initiated by your Board when
2 it adopted the DEI resolution on September 21st, 2021.

3 Our refreshed FTB values. The bolded green words
4 are the revisions to our FTB values. We approached this
5 task with sincerity and intention and wanted to enliven
6 the language of our existing values to reflect DEI
7 concepts. We wanted to reflect the rich culture of our
8 employees and external customers in California and
9 beyond.

10 I'd like to draw your attention to the first
11 value, "Become experts at what we do," where you can see
12 that the new language encourages us to inspire and to
13 engage others within our diverse workforce to invite
14 everyone to engage in our community.

15 Under the second value, "Lead with integrity and
16 inspiration," the language encourages the concrete
17 action of clearly communicating expectations in the
18 workplace and to ignite a wide range of ideas by adding
19 the word "diverse" to modify the word "ideas" that
20 appeared in the previous versions of the values. We
21 also encourage everyone to cultivate a culture of
22 belonging.

23 You will again see the use of the word
24 "inclusivity" under the third value "Bring our best
25 where," we demonstrate that contributing to an inclusive

1 community is a part of how we bring our best to the
2 workplace.

3 Moving on to the fourth value, "Deliver excellent
4 products," the new language looks outward to our
5 customers to acknowledge and respect the diversity of
6 our customers so that we can strive to meet their needs.

7 Finally, with our fifth value, we redefine what
8 it means to "Contribute to a caring community" by saying
9 that we create not just a supportive work environment,
10 in the traditional sense, but one where support involves
11 fostering an inclusive work environment.

12 I will turn it over to Lauri, who will show you
13 the refreshed values and talk to you about how we will
14 promote them in the coming months.

15 MS. DRENNAN: The theme of the campaign is "Let's
16 Grow Together." We rolled out the refreshed values on
17 September 5th. We reached out to staff in a variety of
18 ways to communicate the changes.

19 In a recorded message and in an email, Selvi
20 shared the reasoning behind updating our values at this
21 time to reflect the modern workplace. We wrote an
22 article describing the updates. Our team members handed
23 out cards announcing the campaign, showing how the
24 values have grown. We released another article and
25 video later in the month with interviews from members of

1 Governance Council offering their perspectives on the
2 refreshed values.

3 Our activities will culminate this December with
4 a holiday celebration put together by our M&V and
5 DEI Teams once again working together.

6 We celebrate this new growth for our Department
7 as we promote a workplace environment and culture that
8 promotes diversity, equity, and inclusion and in which
9 employees from a variety of backgrounds, cultures, and
10 personal experiences are welcomed and can thrive in
11 support of FTB's mission and goals.

12 The images on the screen are the front and the
13 back of the card that we distributed to staff. We
14 wanted each of you to have a signed card from our teams.
15 You will find one in front of you as a token of this
16 special project and as appreciation for your leadership
17 in adopting the DEI Proclamation in 2021.

18 Thank you for your time, and we are happy to
19 answer any questions you may have.

20 CHAIRPERSON COHEN: Thank you very much.
21 Appreciate that.

22 Member Vazquez, any comments?

23 MEMBER VAZQUEZ: Yes. I have a comment, and then
24 I had a couple quick questions.

25 CHAIRPERSON COHEN: Please.

1 MEMBER VAZQUEZ: First of all, in listening and
2 watching this presentation, I can tell you it was really
3 pleasing to see it. And I -- I remember when we signed
4 this resolution back in 2021, I have to be honest with
5 you, I kind of underestimated the role and the impact
6 this thing would have and how robust this thing turned
7 out to be. So I am very impressed with what the end
8 result was here. And it sounds like now it has its own
9 life and it's going to be growing and only get stronger.

10 So I really appreciated the work that, Selvi, you
11 as the leadership, and then all the staff members,
12 especially the presentations that were made today, and
13 really, really want to commend the team for all your
14 hard work. Because I know many times, when we're taking
15 people out of their comfort zone, sometimes that can be
16 a little bit scary for folks. But it sounds like there
17 was, obviously, a real buy-in from the top all the way
18 down. So that's real impressive to see.

19 My question is to you -- and I don't know if it's
20 something for the presenters or Selvi -- but looking
21 back, now that this thing has been rolled out, what
22 would you say are the three or four key factors that
23 could be helpful to fully develop a program like this
24 for somebody else that is looking at it? Because at the
25 BOE, we're kind of looking at a similar model moving

1 forward.

2 CHIEF COUNSEL BRUNETT: I would be happy to take
3 that, Member Vazquez. Thank you. That was a really
4 good question.

5 So first off, I think it's very important to have
6 management support from the top down, because you want
7 to make sure, you know, that the managers are on board
8 with the concept and where you're going -- right? -- so
9 employees follow and they're able to permeate that
10 through the organization.

11 Secondly, I would say consultation with Equal
12 Employment Opportunity Office, because EEO is very close
13 to DEI. And for us having the EEO officer involved when
14 we rolled out the team was very important, for her to
15 guide us through -- through the concepts and, you know,
16 what is best and what we can and can't do. So that was
17 very important.

18 Developing a plan; right? Because you have a
19 team. You want to make sure you have a plan. What is
20 your purpose? What kind of things is the team going to
21 do short term and then long term; right? Because you
22 want to say what can we do right away, like writing
23 articles, which is what we did; and then what can you do
24 long term, such as the things we're working on now with
25 training and, you know, beyond that.

1 And it was very, also, important to us to have
2 representation of all levels throughout the Department.
3 On our team, we have people involved who volunteer from
4 all of the separate divisions at the Franchise Tax
5 Board, we have management, and we have staff. And all
6 of them are very passionate about what they do. So it's
7 very important, we thought, to have both involved and to
8 make sure that, you know, the best ideas percolate up.

9 And so those were the, I would say, three or four
10 things that were most important to us when we brought up
11 the team.

12 MEMBER VAZQUEZ: Thank you, and I appreciate it.

13 And when you're mentioning short-term and
14 long-term goals as you move forward, especially with
15 your long-term goals, I'm assuming there's going to be
16 activities and presentations moving down the road as you
17 roll this out.

18 And I, for one, as a Board Member, would love to
19 participate, if that's possible, especially if I'm up,
20 depending on where the activity is going to take place.
21 But just keep that in mind, if that works.

22 CHIEF COUNSEL BRUNETT: Definitely.

23 MEMBER VAZQUEZ: Appreciate it.

24 Thank you, Madam Chair. I think I'm good.

25 CHAIRPERSON COHEN: Sure. All right. Thank you

1 very much.

2 So let me begin by just thanking you for this
3 great presentation. I can feel the enthusiasm in your
4 remarks. I don't know where my invitation was for the
5 "FTB's Got Talent" portion of the year. I missed that
6 invitation. But maybe next year you'll think of me,
7 because I would love to see the FTB talent.

8 MEMBER VAZQUEZ: We got a voice here, huh?

9 CHAIRPERSON COHEN: No. I'm not saying that I
10 would participate.

11 MEMBER VAZQUEZ: Oh, I'm sorry.

12 CHAIRPERSON COHEN: I'm saying that I want to
13 be --

14 MEMBER VAZQUEZ: To sing.

15 CHAIRPERSON COHEN: -- entertained by the FTB.

16 So that's where I am. I'm excited to see this.
17 I think it's absolutely imperative for us to have these
18 cultural exchanges, particularly in a very precarious
19 time where we are in the world today.

20 MEMBER VAZQUEZ: Right.

21 CHAIRPERSON COHEN: And uplifting and celebrating
22 culture and the cultural differences, creating a safe
23 space that it's okay to be different and have different
24 ideologies and religious beliefs, but we still can come
25 together.

1 You think about California, it's got 40 million
2 people. 40 million people we are all working on behalf
3 of. And the reason why I placed this on the agenda,
4 it's just in the backdrop, just keeping those 40 million
5 people in mind but also being an example, saying you
6 have State government that is not afraid to celebrate
7 and to uplift the differences and to begin to bridge
8 those gaps. And so I commend the FTB for doing that.

9 California is one of the most ethnically and
10 racially diverse folks -- places in the entire world,
11 and we have a big role that we play here in the state,
12 conducting taxpayers' business. And I don't think we
13 can serve them very well without understanding who they
14 are, who we are collectively as people having a human
15 experience and a human interaction, taking and giving to
16 each other on this earth.

17 I think it's important for us to continue to tap
18 into our dynamically diverse workforce that ultimately
19 makes us a stronger organization and just creates a
20 better process for doing business, which would lead to
21 better solutions, ultimately.

22 So I do have a few questions that I wanted to
23 just say.

24 First, my first question is focused on
25 recruiting, recruiting at FTB.

1 How do you go about recruiting for the Agency?
2 And then the follow-up question is specifically
3 how does FTB focus on diversity and their diverse hires?

4 MR. VACA: So the recruiting, the Team is
5 actually -- it's monolithic. So the members that you
6 actually see today are not going to be the members of
7 tomorrow. But annually, each year, there is a
8 recruitment effort that gets better through our
9 management, where individuals are sought out to see if
10 they're interested in joining the DEI Team.

11 CHAIRPERSON COHEN: Uh-huh.

12 MR. VACA: And I'm sorry. What was the second
13 piece?

14 CHAIRPERSON COHEN: The -- well, let me see.
15 Let's back up.

16 So the DEI Team, how are they recruited? How
17 does one become a member? Is it by appointment?
18 application process?

19 MR. VACA: So it goes to one of our steering
20 committees --

21 CHAIRPERSON COHEN: Okay.

22 MR. VACA: -- which is our Organizational
23 Development Action Committee. And through that, there's
24 a recruitment effort where there's a call to action of
25 is there any individuals out there that would be

1 interested in joining the team? And then from that, the
2 individuals are chosen.

3 Shane, would you be able to expand on that or --

4 MR. HOFELING: You bet. So, like David said, we
5 put out the call to action, and then we try to solicit
6 people to try to be engaged at that point. And so we
7 try to get a good -- a good, diverse group of people
8 throughout the enterprise.

9 CHAIRPERSON COHEN: Uh-huh. Okay. So still
10 staying down this vein, so once you get -- once you've
11 recruited a diverse workforce, how do you make sure that
12 we retain the diverse workforce?

13 These may be more HR questions. Look at the
14 lawyers are like, they don't want to be on the record
15 for the wrong answer.

16 CHIEF COUNSEL BRUNETT: I'm happy to answer that
17 one.

18 CHAIRPERSON COHEN: Thank you.

19 CHIEF COUNSEL BRUNETT: This is my passion,
20 actually. I was part of starting this whole thing up.
21 So it means a lot to me.

22 I think actions like establishing a DEI Team
23 helps establish, you know, diverse workforce and keeping
24 people engaged; right? Letting them know that you care
25 about them and you care about them individually, and not

1 everyone is the same and they bring their differences.

2 CHAIRPERSON COHEN: Uh-huh.

3 CHIEF COUNSEL BRUNETT: One thing we have in
4 legal that we developed, one of my staff developed, is
5 called "Our Unique Stories," and we invite people to
6 provide a little write-up of whatever their background
7 is. It could be anything as their upbringing. You
8 know, it could be economic. It could be culture. It
9 could be any of those things.

10 So just realizing and making people know that you
11 care about them and you want to hear from them, I think,
12 is very important in maintaining that. And with that,
13 we see them; right? Being seen is important, I think.

14 CHAIRPERSON COHEN: Absolutely. Being seen is
15 critical. I think that's what fosters an environment
16 that people want to participate in and to stay and to
17 develop a career and to be a part of.

18 CHIEF COUNSEL BRUNETT: Exactly.

19 CHAIRPERSON COHEN: So, you know, one of the
20 things that I know that FTB does very well is collect
21 data and then mine it.

22 So how is the FTB collecting data on diversity?
23 And this, for me, includes also the LGBTQ communities as
24 well, not just -- in the presentation, you talked about
25 how things are just at the tip of the -- tip of the

1 iceberg.

2 But when we go below the waters, below the
3 surface, how are we collecting data, if at all, and what
4 are we doing with it?

5 CHIEF COUNSEL BRUNETT: You know, on the State
6 applications, they have a provision where you can
7 voluntarily designate some of those things. So we do --
8 Statewide, we collect that data and it goes to a central
9 database.

10 CHAIRPERSON COHEN: Uh-huh.

11 CHIEF COUNSEL BRUNETT: In terms of targeting,
12 though, we can't hire someone because of a specific
13 characteristic. But I know something that we're working
14 on -- right? -- is going out to the colleges and looking
15 at the different -- you know, the Hispanic -- Hispanic
16 groups or the African American groups or, you know,
17 doing presentations and specifically making sure that
18 you have a diverse hiring pool, which is what we can do
19 and what we are working to do so that we make sure that
20 we're able to hire, you know, diverse.

21 CHAIRPERSON COHEN: Yeah. I would imagine that's
22 probably the strongest way to go about it. I know you
23 can't hire --

24 CHIEF COUNSEL BRUNETT: Right.

25 CHAIRPERSON COHEN: -- someone based on what

1 they --

2 CHIEF COUNSEL BRUNETT: But you want to -- we
3 want a good, diverse hiring pool.

4 CHAIRPERSON COHEN: You do want that. Right. So
5 like you said, going to where the associations are --

6 CHIEF COUNSEL BRUNETT: Uh-huh.

7 CHAIRPERSON COHEN: -- the fraternities, the
8 sororities, the Gay-Straight Alliance clubs on college
9 campuses. They're all areas rich with the diversity
10 that we're looking for.

11 I don't have any other questions.

12 Let's go ahead and take -- oh, you have one?

13 MEMBER VAZQUEZ: No. I'm good. Thank you.

14 CHAIRPERSON COHEN: All right. Let's go ahead
15 and take public comment.

16 (No response.)

17 CHAIRPERSON COHEN: No public comment? Okay.

18 Anyone in the audience would like to comment? If
19 the spirit moves you, you can. I know Selvi is up here.
20 I know the boss is here, but you can speak freely.

21 (No response.)

22 CHAIRPERSON COHEN: No? Okay. All right. Thank
23 you. We'll move on.

24 PHONE MODERATOR: For the -- for the members on
25 the phone lines --

1 CHAIRPERSON COHEN: Okay. Great.

2 PHONE MODERATOR: -- for the members of the
3 public -- okay.

4 Members of the public on the phone lines, if you
5 would like to place yourself in the queue for public
6 comment, as a reminder, you may press 0 at this time.

7 (No response.)

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

10 CHAIRPERSON COHEN: All right. Thank you.

11 Let's go on to move to Item Number 3 on the
12 agenda. And Item 3 is a presentation of the 2023 Filing
13 Season Update presented by Angela Flores and Erin
14 Carvel. This is an informational item. So we won't be
15 taking a vote on it.

16 MS. CARVEL: Good afternoon. My name is Erin
17 Carvel, and I am the Assistant Director of the
18 Processing Services Bureau here in the Filing Division.
19 Today I'm here with Angela Flores, who is a Section
20 Manager in our Accounts Receivable Management Division,
21 and we're here to share information about the 2023
22 filing season.

23 This year, flexibility and resilience were key to
24 a successful filing season. Our normal season peak is
25 from February through April. However, California was

1 hit with record-breaking winter storms, which resulted
2 in FTB changing the final filing deadline three times
3 with a filing date finally of November 16th for most of
4 the state.

5 We began sending our peak season notices this
6 week and will continue sending them throughout the rest
7 of the month. This change allowed us to ensure those
8 impacted by disaster had time to file and pay before
9 receiving a bill.

10 There were also devastating fires in Hawaii and
11 hurricanes across the East Coast. We extended their
12 final filing deadlines as well, following the IRS, to
13 show our support. These adjustments allowed us to best
14 serve our taxpayers and care for our community.

15 Our Department has focused on laying a solid
16 foundation for Phase 2 of our Enterprise to Data Revenue
17 project, known as EDR2. Our technology and business
18 experts have partnered to find new technology solutions
19 to best serve our taxpayers. The upcoming deployments
20 of the project are set for success based off of the
21 strong foundation that we have laid.

22 We also successfully implemented Virtual Hold for
23 the Tax Practitioner Hotline. Virtual Hold allows
24 customers to choose to receive a callback while
25 retaining their place in the queue without remaining on

1 hold. While we have seen many benefits of this tool,
2 one particular notable success is that the average wait
3 times fell by 70 percent or over 21 minutes. This
4 allows us and tax practitioners to serve California
5 taxpayers quicker.

6 FTB continues to be successful in a hybrid work
7 environment. We have been back, and we are able to
8 continue celebrations and events celebrating our
9 diversity, equity, and inclusion, as you heard in the
10 previous presentation.

11 Next I'd like to take a few minutes to share some
12 overall highlights of what we've accomplished this
13 season. The data we are sharing today is through
14 October 31st unless otherwise noted.

15 First, our website and self-service tools. At
16 FTB, we continue to take every opportunity to promote
17 and improve self-service tools, including accessible and
18 easy-to-understand information on our webs. This
19 includes our MyFTB and online options for payment, to
20 name a few. As a result, taxpayers successfully visited
21 our website over 28 million times. Our Web Pay had
22 2.5 million visits. Check Your Refund app had
23 5.4 million requests this year. MyFTB had 3.1 million
24 visits. And tax forms had 760,000 visits.

25 Now I'll be sharing some outstanding return

1 processing highlights.

2 FTB continues to see an increased use of our
3 electronic filing options as taxpayers filed by the
4 November due date. 18.8 million personal income tax
5 returns were filed, 95 percent of which were filed
6 electronically. 14.7 million refunds were issued.
7 78 percent of these were issued via direct deposit.
8 8.4 million payments were received, 64 percent of which
9 were received electronically.

10 I would like to share some of the highlights from
11 our customer-focused contact center.

12 We have service channels available for customers
13 who choose not to engage with us utilizing self-service
14 options. We strive to provide exceptional customer
15 service through all methods. These include direct phone
16 numbers, a virtual hold callback option, online chat,
17 and in-office appointments.

18 First, I would like to share the notable results
19 from our contact center. We answered 893,000 phone
20 calls with an average level of access of 54 percent. We
21 answered over 128- chats, and our average wait times
22 were 12 minutes 55 seconds for phone, 10 minutes 19
23 seconds for chat.

24 We mentioned earlier that we implemented that
25 Virtual Hold option for our Tax Practitioner Hotline.

1 Virtual Hold allows customers to choose to receive a
2 callback while retaining their place in the queue but
3 avoid waiting on hold and listening to FTB's messages
4 and hold music. Virtual hold was offered 559,000 times.
5 They were answered 468,000 times, for a connection
6 success rate of 82 percent. This percent follows the
7 normal reconnection rates we see throughout the larger
8 contact centers here at the Franchise Tax Board. While
9 we would like to see this statistic increase, we know
10 that reconnection rates are largely dependent on
11 customers picking up the phone and being available when
12 we call them back.

13 We strive to provide excellent customer service.
14 After we speak to customers, we give them the
15 opportunity to provide feedback. I would like to share
16 two examples with you today.

17 "Thank you, Kim at Station 2518. She was able to
18 see an error on my tax return and quickly made the
19 corrections. I really appreciate representatives like
20 Kim, who both helped and listened. GREAT job, Kim! I
21 cannot express how much I appreciated your help. Thank
22 you!"

23 "I was so surprised by how easy it was to use
24 Live Chat to resolve my issue. Anthony was
25 professional, prompt with his response, and incredibly

1 helpful. He was able to resolve my issue quickly.
2 Thank you for this Live Chat feature. It is very
3 effective."

4 I'm now going to turn the presentation over to
5 Angela Flores. She will share information about our
6 public counters, how we have helped those impacted by
7 disasters, and our programs designed to aid
8 Californians.

9 MS. FLORES: Thank you, Erin.

10 Good afternoon, Madam Chair and esteemed Board
11 Members. Thank you for the opportunity to present this
12 update to you today. My name is Angela Flores, and I'm
13 a Section Manager in the Accounts Receivable Management
14 Division.

15 Our customer -- excuse me. Our public counters
16 play a significant role in our operations by providing
17 an in-person service to assist our customers. They also
18 had successes this year, and I would like to share those
19 accomplishments.

20 Our public counters assisted over 56,000
21 customers this filing season. We continued to serve
22 customers by appointment throughout our offices
23 statewide. Taxpayers can make an appointment through an
24 automated system on FTB's public website or with the aid
25 of a contact center or field office agent. We found the

1 automated system provides an improved customer
2 experience and reduced wait times. We are proud to say
3 that we've maintained a 95 -- 94 percent approval rating
4 from our public counter customers.

5 Our public counters provide amazing customer
6 service when it comes to assisting our customers. These
7 are some actual customer comments that testify to the
8 type of service our public counters provide during this
9 filing season.

10 "I was a walk-in and no line, no appointment.
11 The services and the communication were excellent."

12 "It was quick. Service was kind, knowledgeable,
13 and expedient."

14 FTB collaborated across the enterprise to
15 mitigate the impacts of the IRS due date extension on
16 our operations, staffing, and California to successfully
17 meet our key processing goals for the 2023 filing
18 season. We maintained the excellent level of service in
19 the delivery of taxpayer refunds, timely deposits, and
20 the timely releases of notices.

21 Our technology partners worked to find ways to
22 have our system support our employees and processes to
23 serve our taxpayers. After successfully implementing
24 these changes for California, other disasters were
25 declared across the country. FTB conformed to the IRS

1 and provided relief to our California taxpayers and
2 impacted states. We provided education and outreach to
3 both taxpayers and the tax professional community to
4 ease concerns, address questions, and provide guidance.

5 Another way FTB helped taxpayers impacted by the
6 disasters was by proudly participating with other state
7 agencies at Local Assistance Centers, also known as
8 LACs, Disaster Recovery Centers, also known as DRCs, for
9 declared disasters. These centers helped survivors in
10 the recovery process of catastrophic events, such as a
11 fire, flood, or earthquake.

12 At these centers, FTB employees may assist
13 survivors with various information, including how to
14 claim disaster losses, obtain copies of tax returns and
15 forms, or change their address. During and after the
16 '22/'23 winter storms, the Accounts Receivable
17 Management Division provided 41 staff to help at
18 39 centers and assisted 2,290 survivors with their
19 disaster-related questions.

20 I would like to share a couple of examples of how
21 FTB helped survivors at these Assistant Centers.

22 A taxpayer came to the Desert Hot Springs LAC
23 overwhelmed because the Palm Fire in Riverside County
24 had destroyed his family's home and his tax records.
25 With the assistance of an interpreter, FTB staff

1 provided the Spanish disaster loss publication and
2 explained the California laws regarding disaster and
3 casualty losses. The staff mailed him copies of the tax
4 returns that were destroyed in the fire when they
5 returned to the office and followed up with him and his
6 daughter by telephone on two occasions to make sure
7 their issues were addressed and they received the help
8 they needed. The taxpayer was thankful for FTB's
9 support and guidance through this difficult time.

10 In another example, a gentleman arrived in
11 distress at the Santa Maria DRC. He relayed his story
12 about how his wife and daughter were home when flooding
13 started at their residence. He rushed to help them but
14 was in a car accident caused by the storm and was unable
15 to make it home in time to avoid flood damage.
16 Fortunately, everyone was safe, but the damage to their
17 home and property was extensive. Our FTB staff member
18 was there to help, providing the disaster loss
19 publication and explaining how he could claim the
20 damages for tax purposes. We also referred him to IRS
21 resources for federal guidance. We were thankful his
22 family was safe, and he was thankful for the assistance.

23 As you can see, disasters like wildfires and
24 storms bring on a tremendous amount of stress to
25 California citizens. Our FTB staff care for taxpayers

1 and their families and continue to support and guide
2 them through difficult times.

3 FTB oversees the administration of several
4 programs that benefit California's taxpayers, including
5 the Volunteer Income Tax Assistance program, also known
6 as VITA.

7 The VITA program continued to operate and serve
8 taxpayers in their communities. Volunteer taxpayers --
9 preparers helped taxpayers file federal and state tax
10 returns and receive all the benefits they are eligible
11 for.

12 I would like to share some highlights from the
13 VITA program.

14 79 staff became certified VITA volunteers. We
15 also had 74 FTB employees receive VITA training. FTB
16 participated in over 26 in-person events and more than
17 100 drop-off and virtual events. These volunteers also
18 prepared 4,556 federal and state tax returns for FTB
19 employees, family, and friends.

20 Moving to our next program, the California Earned
21 Income Tax Credit or CalEITC, provides a tax credit for
22 those earning \$30,000 or less per year. We sent over
23 345,000 letters to potentially eligible taxpayers
24 encouraging them to apply for the credit. This year, we
25 had over 3,550,000 returns filed claiming CalEITC with

1 408,000 also qualifying for the Young Child Tax Credit.
2 We also had 4,800 qualify for the new Foster Youth Tax
3 Credit.

4 CalFile is another important publication that
5 provides a free filing option for the California tax
6 return. This year, 87,000 returns were filed via
7 CalFile.

8 While the 2023 filing season brought us some
9 unexpected challenges, FTB came together and persevered.
10 We've been successful in a hybrid work environment by
11 allowing in-person and virtual options to our staff.
12 We've improved our systems to provide a better customer
13 experience, implemented Virtual Hold, and continued to
14 prepare for significant modernization. We also served
15 survivors in our communities through multiple disasters
16 over the past year. We are one FTB, and we are proudly
17 here to serve the citizens of California.

18 On behalf of the Department, we would like to
19 thank you for providing us the time to share what we've
20 done and accomplished for the taxpayers of California
21 and for our employees. We appreciate your continued
22 support.

23 And at this time, we would be happy to answer any
24 questions you may have.

25 CHAIRPERSON COHEN: Thank you, ladies.

1 Mr. Vazquez, do you have any questions or
2 comments?

3 MEMBER VAZQUEZ: Yes, Madam Chair. I had a
4 comment and then a couple quick questions.

5 First of all, I want to thank you both for
6 putting together this presentation, and thank you to
7 everyone who volunteered and helped with the VITA and
8 disaster relief. I recall back at the beginning of the
9 year when it was going on, and the workforce was truly
10 an asset for the state.

11 And then I had just a couple quick questions.

12 When you talked about VITA specifically here, the
13 VITA statistics, including, I guess, the Cal -- it said
14 EITC and other credits, as well as the other statistics
15 you mentioned, how did we do in each category compared
16 to last year and the other years?

17 MS. CARVEL: Thank you. I'll be happy to answer
18 that question.

19 So the data in our presentation was through
20 October 31st, which was prior to the filing deadline of
21 November 16th. Since then, we have received additional
22 returns. So I'm able to share with you new volumes as
23 well.

24 Additionally, many of our statistics regarding
25 customer service, website visits, et cetera, aren't

1 comparable from an apples-to-apples sense due to the
2 extended and prolonged filing season. 3.4 million
3 taxpayers received the CalEITC credit this year. This
4 is lower by approximately 150,000 than the previous
5 year. However, we allowed more than \$921 million, which
6 is up by 31 percent from last year.

7 We continued to encourage people to claim CalEITC
8 through our outreach effort. We have sent over 345,000
9 letters to potentially eligible taxpayers encouraging
10 them to claim the credit. This includes some that
11 actually filed this year but did not claim it. In our
12 letter, we provide instruction on how to easily claim it
13 by submitting the FTB Form 3514.

14 410,000 taxpayers received the Young Child Tax
15 Credit. This is 10 percent higher than the previous
16 year. More than \$414 million has been claimed this
17 year, which is 20 percent higher than a year ago.

18 4,900 taxpayers received the Foster Youth Tax
19 Credit. This is a new credit, and more than \$5 million
20 in credit was claimed.

21 FTB VITA volunteers prepared 4,600 state and
22 federal returns. In 2022, our volunteers prepared
23 4,000. They also participated in 26 in-person events
24 and more than 100 virtual and drop-off events. This is
25 also an increase from last year.

1 The percentage of our returns that were filed
2 electronically continues to increase. This year, they
3 were 95 percent. The year before, they were 94.

4 58,900 taxpayers were assisted at our public
5 counters during the last filing season. This is
6 approximately 5 percent higher than the current year.
7 But our overall approval rating continues to be
8 94 percent, which we are quite proud of.

9 MEMBER VAZQUEZ: That's pretty impressive.

10 I guess the only other question I would have is,
11 moving forward, I'm just curious to see how we could
12 expand our outreach to reach -- I'm thinking more
13 families and individuals specifically in the immigrant
14 communities, who may not know of this service or are
15 hesitant of getting the service because they may or may
16 not have a Social Security number.

17 MS. CARVEL: Absolutely. The FTB markets
18 CalEITC, the Young Child Tax Credit, Foster Youth Tax
19 Credit, and VITA mainly through year-round outreach,
20 including social media, flyers, posters, press releases,
21 and news media interviews.

22 We also provide technical support, such as
23 explaining new CalEITC legislation, to other State
24 agencies and other partners who conduct CalEITC and VITA
25 outreach. They do a great job working with

1 community-based organizations statewide to publicize
2 these services and credits and provide free tax
3 preparation and assist immigrants with obtaining their
4 ITINs. The FTB VITA program provides support to various
5 community partners. These include, but of course are
6 not limited to, the United Way, Koreatown Youth +
7 Community Center, the Mexican Consulate, and AARP.

8 Most of FTB's VITA team is comprised of
9 volunteers, many of whom spend their VITA volunteer
10 hours in their own local communities.

11 MEMBER VAZQUEZ: That's good.

12 The only other question, I was on a podcast last
13 week, and one of the questions that came up from the
14 moderator was about -- and you probably hear about these
15 ghost preparers that are out there that are scamming,
16 sometimes, individuals. And I'm assuming they're
17 probably taking more advantage of, you know, the folks,
18 the working-class folks that, you know, sometimes don't
19 understand that whoever prepares your documents, at the
20 end of the day when you sign it, you're actually the one
21 that's legally responsible. They're not. They're off
22 the hook.

23 And I was just wondering if there's anything that
24 we can put out there for those that might be listening
25 or here in the audience as well in terms of what to look

1 out for as they seek out somebody as they prepare their
2 documents or their returns.

3 MS. CARVEL: I see Shane nodding his head. So I
4 will let him answer this one.

5 MR. HOFELING: So, Member, as you said, it is a
6 problem that we are concerned with. And so we do work
7 with the California Tax Education Council, which is the
8 group that, if you are neither a lawyer or CPA, you have
9 to register with to prepare taxes.

10 And so they're working on the program, and we
11 work closely with them to try to identify ghost
12 preparers and to work on that. But it is a concern
13 going forward.

14 MEMBER VAZQUEZ: Because they were asking me, and
15 I was trying to -- I just told them, I said, you know --
16 the only thing I could come up with at the time when
17 they asked me on the spot, I just said, you know,
18 probably one of the key things they could do is just
19 double-check with that entity or that business that's
20 out there to make sure, you know, with the Better
21 Business Bureau to make sure that they have no
22 complaints or other cases against them -- right? -- as a
23 starting point.

24 But I didn't know if there was other watchdog
25 groups out there that we should at least alert or let

1 people know about.

2 MR. HOFELING: They can always check in with the
3 California Tax Education Council. They maintain the
4 list as well. Or if somebody has a complaint, they can
5 reach out to that group and they look at that, to see if
6 somebody is a valid preparer or not.

7 MEMBER VAZQUEZ: And the last question, if I can,
8 Madam Chair, is I noticed in your presentation you
9 highlighted that you were able to reduce the minutes of
10 wait time, I think you said by 21 minutes.

11 And I'm just wondering, so what's the average
12 now, based on that?

13 MS. CARVEL: That's a great question. So that is
14 specifically for our Tax Practitioner Hotline.

15 MEMBER VAZQUEZ: Yes.

16 MS. CARVEL: I don't know what our current wait
17 times are based off of the most recent data, but I would
18 be happy to provide that to you.

19 MEMBER VAZQUEZ: Appreciate it.

20 MS. CARVEL: Thank you.

21 MEMBER VAZQUEZ: Thank you.

22 CHAIRPERSON COHEN: All right. Thank you very
23 much. Appreciate the presentation.

24 I'm going to just jump into my question. It's in
25 regards to Slide Number 5, the customer service

1 highlight. One of the facts or the data points that I'm
2 interested in, is in your report, you noted that FTB had
3 893,000 phone calls answered, and the level of access
4 has increased from 47 percent last year to 54 percent,
5 and that's a 7 percent increase.

6 And I wanted to know, what was the reason behind
7 this improvement, the 7 percent improvement? How did
8 you do that?

9 MS. CARVEL: We continue to work on upscaling our
10 staff and provide them support and training so that they
11 are as efficient as possible. We also utilized new
12 technologies, such as the Virtual Hold option, to
13 continue to make the times as fast as possible.

14 CHAIRPERSON COHEN: Efficient as possible.

15 MS. CARVEL: Absolutely.

16 CHAIRPERSON COHEN: Yeah. I personally like the
17 option that you guys call me back, you and, you know,
18 anyone else that's providing that service. That's good
19 customer service.

20 Are there any other variables that led to this
21 increase? Did we change our technology? Did we have
22 more people on the front line? Did we add more lines to
23 our call center?

24 MS. CARVEL: Those are great questions. And that
25 is not my area of expertise --

1 CHAIRPERSON COHEN: Okay.

2 MS. CARVEL: -- but I would be happy to get that
3 information and share it back with you --

4 CHAIRPERSON COHEN: Okay.

5 MS. CARVEL: -- if there are additional methods
6 that we utilized.

7 CHAIRPERSON COHEN: Okay. Thank you very much.
8 We can move on, then.

9 We are going to move on to public comment to see
10 if there's anyone that would like to comment on this
11 item, Item 4 -- or it's Item 3.

12 (No response.)

13 CHAIRPERSON COHEN: Okay. Seeing that there's no
14 questions on Item 3 --

15 PHONE MODERATOR: Should I check with the phone
16 lines?

17 CHAIRPERSON COHEN: Yes. Please check with the
18 phone lines.

19 PHONE MODERATOR: Members of the public on the
20 phone lines, if you would like to place yourself in the
21 queue for public comment, as a reminder, please press 1,
22 then 0 at this time.

23 (No response.)

24 PHONE MODERATOR: No members of the public are
25 queueing up at this time.

1 CHAIRPERSON COHEN: All right.

2 PHONE MODERATOR: Please continue.

3 CHAIRPERSON COHEN: All right. Thank you very
4 much, Operator.

5 I just also would like the record to reflect that
6 Ms. Gayle Miller has joined us.

7 Okay. We're going to move on to Item 4. Item 4
8 is regulation matters.

9 We'll first start with the 2024 rulemaking
10 calendar, presented by Red Gobuty, for Board approval.
11 And then we'll have a presentation regarding Regulation
12 Sections 18662-0 through 18662-8, which is presented for
13 Board approval. And we'll hear from Leah Thyberg.

14 MR. GOBUTY: Thank you very much, and good
15 afternoon.

16 Before I begin, I hope I don't get into trouble.
17 I don't claim to have talent. I know you wanted to be
18 entertained. But if you want a safe joke from an
19 eight-year-old, I can offer that up.

20 CHAIRPERSON COHEN: I'll take it. Bring a little
21 levity.

22 MR. GOBUTY: What type of alligator makes the
23 best detective?

24 CHAIRPERSON COHEN: Hmm, what type of alligator
25 makes the best detective. I don't know.

1 MR. GOBUTY: I'll answer that for you. An
2 investi-gator.

3 CHAIRPERSON COHEN: Oh.

4 MR. GOBUTY: Thanks to my son for that.

5 My name is Red Gobuty. I'm an Attorney IV with
6 the FTB Legal Division's Technical Resources Bureau.

7 As required by Government Code Section 11017.6,
8 on a yearly basis, FTB delivers a Board-approved
9 rulemaking calendar to the Office of Administrative Law,
10 providing required information on regulatory items FTB
11 plans to transmit for review and approval as part of the
12 rulemaking process during the year.

13 The 2024 rulemaking calendar in your materials
14 shows the regulation projects FTB staff plans to work on
15 during the 2024 calendar year as well as provides
16 updates to each project's current status.

17 As in the past, the Board's approval of the
18 calendar and any items identified on it for which staff
19 has not previously received Board approval to begin the
20 informal regulatory process serves as an explicit
21 approval by the Board to allow FTB staff to begin the
22 informal regulatory process and hold Interested Parties
23 Meetings for all calendared items.

24 And at this time, I would respectfully ask for
25 your Board's approval to the 2024 rulemaking calendar.

1 CHAIRPERSON COHEN: All right. Thank you very
2 much for that brief presentation.

3 Colleagues, do you have any questions?

4 Yep. Go ahead.

5 MEMBER VAZQUEZ: Just a couple quick ones, if I
6 can.

7 Based on the previous discussion with the FTB, I
8 understand that the fiscal impact of these regulatory
9 changes is estimated to be an increase in 50 million to
10 the General Fund.

11 Is this figure still accurate?

12 MR. GOBUTY: Yes. Thank you for that question.
13 I suspect you're asking about the project Leah will be
14 presenting. And if it's okay, I would like to defer for
15 her to answer that after.

16 MEMBER VAZQUEZ: Sure. I'll wait.

17 CHAIRPERSON COHEN: Okay. Thank you. Let's see.

18 Commissioner Miller, do you have a question?

19 (No response.)

20 CHAIRPERSON COHEN: No question? All right.

21 Thank you.

22 Let's go --

23 MEMBER MILLER: No question.

24 CHAIRPERSON COHEN: All right. Anyone, any
25 member of the audience present have a question or

1 comment, public comment?

2 (No response.)

3 CHAIRPERSON COHEN: Seeing none, Operator.

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

8 (No response.)

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

11 CHAIRPERSON COHEN: All right. Thank you.

12 Members, is there a motion to approve the 2024
13 rulemaking calendar?

14 MEMBER VAZQUEZ: So moved.

15 CHAIRPERSON COHEN: Okay. Motion moved by --

16 MEMBER MILLER: I second.

17 CHAIRPERSON COHEN: Motion moved by Mr. Vazquez,
18 seconded by Ms. Miller.

19 Please call the roll.

20 MS. RUBALCAVA: Member Miller.

21 MEMBER MILLER: Aye.

22 MS. RUBALCAVA: Member Vazquez.

23 MEMBER VAZQUEZ: Aye.

24 MS. RUBALCAVA: Controller Cohen.

25 CHAIRPERSON COHEN: Aye.

1 MS. RUBALCAVA: Thank you.

2 CHAIRPERSON COHEN: All right. Thank you very
3 much. The motion passes unanimously.

4 Next we have Ms. Leah Thyberg, who will now
5 present the staff's request for the Board approval.
6 Now, this, again, is Regulation Section 18662-0 through
7 18662-8 to advance into the formal rulemaking process.

8 Ms. Thyberg.

9 MS. THYBERG: Thank you.

10 Good afternoon, Madam Chair and Members of the
11 Board. My name is Leah Thyberg, and I am an attorney at
12 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 regulations."

23 Revenue and Taxation Code Section 18662 is the
24 statute setting forth California's general non-wage
25 withholding tax requirements. The proposed regulation

1 would provide for changes to domestic pass-through
2 entity withholding requirements. With the proposed
3 amendments to the regulations would then incorporate the
4 language in the proposed regulation relating to domestic
5 pass-through entity withholding to ensure consistency
6 across all the withholding regulations.

7 At the September 9th, 2021, three-member Board
8 meeting, FTB staff obtained permission to proceed with
9 the formal regulatory process to adopt both the proposed
10 regulation and to amend the regulations. However, after
11 obtaining permission, FTB staff determined additional
12 substantive proposed revisions to the draft regulatory
13 text were necessary to account for several newly
14 discovered issues.

15 During further review, FTB staff discovered that
16 while the proposed regulation provided specific
17 withholding requirements relating to domestic
18 passthrough entity withholding, this created unintended
19 gaps or conflicting withholding requirements in the
20 proposed amendments to the regulations. Thus,
21 additional proposed revisions were necessary to simplify
22 the withholding requirements and ensure consistency
23 between the proposed regulation and the proposed
24 amendments to the regulations.

25 FTB staff posted a 30-day notice which described

1 the additional proposed revisions necessary to address
2 these new issues and elicited public feedback. After
3 receiving and responding to one comment seeking
4 clarification of the overall goal of the regulation
5 project, FTB staff determined no further proposed
6 revisions were necessary.

7 If your Board approves FTB staff's request today,
8 then our next step will be to provide the Department of
9 Finance the required Standardized Regulatory Impact
10 Assessment for review and comment.

11 Thereafter, we would publish the Notice of
12 Proposed Rulemaking in the California Regulatory Notice
13 Register to commence the formal regulatory process.

14 Accordingly, we now request the Board's
15 permission to proceed with the formal regulatory process
16 to adopt the revised proposed regulation and to amend
17 the regulations.

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

19 CHAIRPERSON COHEN: Mr. Vazquez.

20 MEMBER VAZQUEZ: Now I'll ask my question.

21 CHAIRPERSON COHEN: All right.

22 MEMBER VAZQUEZ: Do you need me to repeat it, or
23 do you remember it?

24 MS. THYBERG: You are happy to repeat it.

25 MEMBER VAZQUEZ: Well, I guess for the record,

1 I'll just put it in then.

2 MS. THYBERG: Sure.

3 MEMBER VAZQUEZ: Just based on the previous
4 discussions with the FTB, I understand that the fiscal
5 impact of these regulatory changes is estimated to be an
6 increase in 50 million to the General Fund.

7 Is this figure still accurate?

8 MS. THYBERG: Yes. The figure is still estimated
9 to be just over 50 million.

10 MEMBER VAZQUEZ: And I guess a follow-up to was
11 can you provide a common example of how these changes
12 will cause such an increase to occur?

13 MS. THYBERG: Yes. One example of how these
14 changes could cause an increase in revenue to California
15 can be seen with a nonresident taxpayer who has
16 California-sourced income and who may not otherwise file
17 a tax return, as required by law.

18 Once these changes go into effect, that
19 nonresident taxpayer may have tax withheld on their
20 behalf and remitted to the FTB, which is already
21 statutorily due and required to be paid but is currently
22 not being collected.

23 MEMBER VAZQUEZ: And a follow-up to that is I
24 also understand that there are other practical
25 implications that may affect taxpayers, such as the

1 deletion of -- I guess it's Form 592-PTE and associated
2 voucher form 592-Q, and changes to Form 592.

3 Have taxpayers already been notified of these
4 changes? And if not, when and how will they be
5 notified?

6 MS. THYBERG: Yes. So taxpayers were notified of
7 the most recent proposed changes when we posted the
8 30-day notice on our website in December 2022. We have
9 also provided this investigation to the taxpayer
10 representative community at industry events and have
11 received excellent feedback and support.

12 We additionally anticipate putting out articles
13 to the taxpayer community through vehicles such as "Tax
14 News" as the project gets closer to finalization.

15 And generally, during the informal regulatory
16 process, we hold Interested Parties Meetings and post
17 notices to solicit feedback from the taxpayer community.
18 When we post information for Interested Parties Meetings
19 or a notice to describe proposed changes to regulatory
20 language, we email interested parties that subscribed to
21 receive messages about the regulatory project.

22 And so for this regulation project, we held two
23 Interested Parties Meetings and posted four notices
24 regarding proposed changes to the regulation language.

25 Now, with your Board's permission, when the

1 project moves forward into the formal regulatory
2 process, we will post materials in the California
3 Regulatory Notice Register and post updates on our
4 website. We will also announce those updates through
5 email.

6 MEMBER VAZQUEZ: I appreciate it. And just
7 wanted to thank you and staff for being so transparent
8 with this process, because I understand, you know, some
9 of this has taken place for -- I guess it's nearly --
10 it's been, like, a decade. And I know it's a lot of
11 work on your part just to get it out, especially the
12 Interested Parties. So I really appreciate the fact
13 that you've all been really transparent about this
14 process. Thank you.

15 MS. THYBERG: Thank you.

16 CHAIRPERSON COHEN: All right. Thank you. I
17 just have one comment.

18 Actually, no. I don't have a comment. Thank you
19 very much.

20 Member Miller, do you have anything that you
21 wanted to share?

22 (No response.)

23 CHAIRPERSON COHEN: No questions? Okay.

24 Let's go to public comment.

25 MEMBER MILLER: No questions, Chair. Thank you.

1 CHAIRPERSON COHEN: Excuse me? What was that?

2 MEMBER VAZQUEZ: I didn't hear.

3 CHAIRPERSON COHEN: Oh, that was Gayle.

4 MEMBER MILLER: Oh, I just said, "No, thank you."

5 Sorry.

6 CHAIRPERSON COHEN: Okay. Thank you.

7 Operator, could you please check the line to see
8 if there's public comment.

9 PHONE MODERATOR: Members of the public on the
10 phone lines, if you would like to place yourself in the
11 queue for public comment, as a reminder, you may press
12 1, then 0 at this time.

13 No members of the public are queueing up at this
14 time. Please continue.

15 CHAIRPERSON COHEN: All right. Thank you very
16 much.

17 Is there a motion to accept the staff's
18 recommendation?

19 MEMBER VAZQUEZ: So moved.

20 CHAIRPERSON COHEN: All right. Moved by Vazquez.

21 Is there a second?

22 MEMBER MILLER: I'm going to abstain from this,
23 Madam Chair, just because Department of Finance is
24 reviewing --

25 (Inaudible; overlapping speakers.)

1 CHAIRPERSON COHEN: No problem. Member Miller is
2 going to abstain.

3 I will second this motion.

4 Please call the roll.

5 MS. RUBALCAVA: Member Vazquez.

6 MEMBER VAZQUEZ: Aye.

7 MS. RUBALCAVA: Member Miller.

8 CHAIRPERSON COHEN: She's abstaining.

9 MS. RUBALCAVA: Abstaining.

10 And Controller Cohen.

11 CHAIRPERSON COHEN: Aye.

12 MS. RUBALCAVA: Thank you.

13 CHAIRPERSON COHEN: Thank you very much.

14 MEMBER MILLER: Abstain. Thank you.

15 CHAIRPERSON COHEN: Motion passes.

16 Let's call Item 5, a legislative matter, with a
17 presentation on the legislative proposal by Denis
18 Armstrong, also looking for Board approval.

19 Good to see you.

20 MR. ARMSTRONG: Nice to see you.

21 Good afternoon, Madam Chair and Board Members.

22 My name is Denis Armstrong. I'm the Legislative
23 Director for the Franchise Tax Board.

24 On an ongoing basis, FTB identifies possible
25 ideas for legislative proposals that can ease tax

1 administration, including the one presented before you
2 today for your consideration.

3 In addition to presenting to you today, we also
4 recently held our annual Legislative Proposal
5 Stakeholder Meeting on November 15th to present this
6 idea to the public for input. The idea was well
7 received by all parties.

8 This particular proposal relates to an expiring
9 provision for electronic communication.

10 Under current statutory authority, taxpayers can
11 choose to receive notifications from FTB and send
12 certain notifications electronically. This authority
13 will be repealed on January 1st, 2025.

14 By eliminating the repeal date, this proposal
15 would indefinitely allow a taxpayer or their
16 representative the option to choose an electronic method
17 to receive and file certain notifications, as specified,
18 with FTB.

19 The proposed changes would allow FTB and
20 taxpayers or their representatives to use an electronic
21 method of sending notifications instead of using the
22 United States Postal Service, thus saving time and money
23 to both parties.

24 If enacted in 2024, this would be effective and
25 operative on and after January 1st, 2025, to allow the

1 law to continue without interruption.

2 There are no departmental costs associated with
3 this proposal and no revenue impact to the General Fund.

4 Thank you, Madam Chair and Board Members, for
5 your time today. We respectfully request the Board's
6 approval on this proposal. And I'm happy to answer any
7 questions you may have.

8 CHAIRPERSON COHEN: Perfect. I don't necessarily
9 have questions, just wanted to say I think it's time for
10 you to -- you're going to have to buckle up, because
11 we're getting ready to get into a new legislative
12 session, and it's going to be pretty choppy, I would
13 imagine, with the budget numbers that we're looking at.
14 Specifically, I'm talking about the deficit. But I'm
15 sure we can all accomplish it together.

16 MR. ARMSTRONG: Yes, ma'am.

17 CHAIRPERSON COHEN: I appreciate this report.
18 It's actually really easy to understand and concise. It
19 speaks to your ability to understand the legislative --
20 not only the matters but also how to solve the problems,
21 how to maneuver. I appreciate that. Thank you.

22 MR. ARMSTRONG: Thank you very much.

23 CHAIRPERSON COHEN: Mr. Vazquez.

24 MEMBER VAZQUEZ: Just a quick comment, Madam
25 Chair.

1 Also, thank you for your presentation. And
2 maintaining current electronic communication practices,
3 I think, is important, you know, for these
4 communications with taxpayers with efficiency,
5 transparency, and sustainability. Like you said, it is
6 vital that we continue this, whatever we can do to
7 support.

8 CHAIRPERSON COHEN: Mm-hmm.

9 MEMBER VAZQUEZ: I really appreciate it, you
10 bringing this to our attention. I didn't realize it had
11 a sunset.

12 MR. ARMSTRONG: Thank you very much.

13 CHAIRPERSON COHEN: But we're in capable hands.

14 MEMBER VAZQUEZ: You need a --

15 CHAIRPERSON COHEN: Yes.

16 MEMBER VAZQUEZ: You need a motion to move it
17 or --

18 CHAIRPERSON COHEN: Well, let's go to public
19 comment first.

20 MEMBER VAZQUEZ: Sure. Okay.

21 CHAIRPERSON COHEN: Anyone in the chamber would
22 like to speak?

23 (No response.)

24 CHAIRPERSON COHEN: Okay. Seeing none, Operator,
25 could you please check the teleconference line.

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

5 (No response.)

6 PHONE MODERATOR: No members of the public are
7 queueing up at -- actually, we do have one.

8 CHAIRPERSON COHEN: Oh.

9 PHONE MODERATOR: Going to the line for -- going
10 to the line for Christine Grab.

11 Please go ahead.

12 CHAIRPERSON COHEN: Okay.

13 MS. GRAB: Is it possible to amend the
14 legislation so that it states possible to get these
15 notices both electronically and via U.S. Postal Service?
16 Because right now, it's one or the other.

17 CHAIRPERSON COHEN: I'm sorry. Can you repeat
18 that statement one more time?

19 MS. GRAB: So right now, these electronic
20 documents -- if you want to go electronic, then they
21 don't send anything in the mail.

22 So is it possible to amend the legislation so
23 that FTB can send the documents both electronically and
24 via mail instead of one or the other?

25 CHAIRPERSON COHEN: Well, we're taking public

1 comment. And we will take in this public comment, and
2 someone from the Franchise Tax Board will respond to you
3 by February. That's the long-term date. I'm sure
4 they'll get back to you --

5 MS. GRAB: Okay. Thank you.

6 CHAIRPERSON COHEN: -- sooner. Sure. All right.
7 Thank you.

8 Is there a motion? Is there a motion to accept
9 the proposal?

10 MEMBER VAZQUEZ: So moved.

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

13 MEMBER MILLER: I'm going to abstain from this.

14 CHAIRPERSON COHEN: All right. Motion made by
15 Vazquez.

16 I'll second that motion.

17 Could you please call the roll.

18 MS. RUBALCAVA: Member Vazquez.

19 MEMBER VAZQUEZ: Aye.

20 MS. RUBALCAVA: Controller Cohen.

21 CHAIRPERSON COHEN: Aye.

22 MS. RUBALCAVA: Thank you.

23 CHAIRPERSON COHEN: And Member Miller abstaining.

24 All right. Thank you very much, Mr. Armstrong.

25 MR. ARMSTRONG: Thank you for your support.

1 CHAIRPERSON COHEN: We'll go on to Item 6,
2 another administrative matter. We have Thi Luong and
3 Jennifer Barton, who are going to be presenting the
4 2025 budget change proposals, which is up for
5 consideration.

6 MS. LUONG: Thank you.

7 CHAIRPERSON COHEN: Hi, ladies.

8 MS. LUONG: Good afternoon, Madam Chair, Board
9 Members. My name is Thi Luong, FTB's Financial
10 Management Director. And I'm joined today by Jennifer
11 Barton, our Assistant Director.

12 We're here today to present the FTB's five fiscal
13 year '24-'25 budget change proposals for your approval.
14 We will provide a brief overview of each proposal and
15 then answer any questions you may have.

16 Our first proposal is the Enterprise Data Revenue
17 Phase II (EDR2). The start of fiscal year '24-'25 will
18 see FTB enter into the fourth year of the EDR2 project.
19 We will continue to build on the foundation set by EDR
20 for centralizing technology solutions that support key
21 business functions. EDR2 will expand enterprise case
22 management and modeling services for audit, legal,
23 filing enforcement, and accounts receivable functions.

24 Following the statewide process to support
25 funding for larger projects, an annual BCP is required

1 for new costs related to that year. This year's
2 proposal requests an augmentation of 127.1 million and
3 includes funding for 28 permanent positions and 10
4 limited-term positions. The request also includes
5 112.2 million for the payment to the Solution Partners.
6 Costs within this BCP can be ongoing, limited term, or
7 one time as noted within the BCP narrative.

8 During the fourth year, FTB is requesting
9 resources to support various stages of data analytic
10 tools and models; enhanced data capture; data
11 management; and oversight functions, such as independent
12 verification and validation, quality assurance, and an
13 independent security assessment.

14 I will now turn over to Jennifer to cover
15 Proposals 2 and 3.

16 MS. BARTON: Good afternoon, Madam Chair and
17 Board Members.

18 The second proposal is for Political Reform Audit
19 Resources. The request is for an augmentation of
20 \$1.8 million and 13 permanent positions in fiscal year
21 '24-'25 and ongoing for the Political Reform Audit
22 Program to timely and effectively complete mandated
23 audits, as required by the Political Reform Act of 1974.

24 Since 2000, there have been 10 significant acts,
25 bills, and regulation changes that have led to an

1 increase in the Political Reform Audit workloads without
2 a corresponding increase in resources. As a result, FTB
3 has only been able to complete a minimal portion of the
4 mandated work. FTB's inability to adequately administer
5 the program hinders the Political Reform Act's goal of
6 instilling public trust of California's elected
7 officials and initiative campaigns, which is vital to
8 the citizens of California and the transparency that
9 California's government mandates.

10 Compliance with the law is obtained by the
11 presence of formal auditing that includes the potential
12 of enforcement, education, warning letters, and fines.

13 These resources are needed to adequately staff
14 the Political Reform Audit Program to complete the
15 mandated audits and comply with California Government
16 Code Sections 90000 through 90009. These sections
17 provide for the FTB's audit authority with respect to
18 certain political reform audits.

19 Furthermore, Section 90006 provides that audits
20 and investigations of candidates for Controller and the
21 California Board of Equalization are conducted by the
22 Fair Political Practices Commission instead of FTB.

23 The third proposal is for the Mainframe Storage
24 Hardware and Software Refresh and requests augmentation
25 of \$8.5 million in fiscal year '24-'25 to refresh FTB's

1 mainframe storage components approaching end of life.

2 When a component reaches end of life, significant
3 risks present, as there is no guarantee that components
4 or parts can be repaired or replaced, and technical
5 support is limited or not available at all.

6 The components provide storage infrastructure
7 that is essential to FTB's multiple-mission critical tax
8 and non-tax applications that support its filing,
9 collections, audit, and non-filer processes, as well as
10 web self-services. These applications have a
11 substantial dependency on the data that resides within
12 the storage components.

13 If the components are not refreshed before they
14 reach end of life, FTB may not be able to timely process
15 tax returns, payments, and issue tax refunds; may
16 experience failures in systems that house vital and
17 confidential information; may not be able to recover
18 data after a disaster or ransomware attack; or provide
19 long-term data retention.

20 Thank you. And at this time, I will turn it back
21 over to Thi to cover the remaining proposals.

22 MS. LUONG: Proposal 4 is for our campus security
23 guards and is requesting 2.9 million in fiscal year
24 '24-'25 and ongoing to fund increased costs for Central
25 Office security guards and to procure security guards

1 for our Santa Ana field office.

2 Security and safety are essential functions that
3 protect FTB's facilities, equipment, and data and also
4 to ensure the safety of our employees, vendors, and
5 visitors. An internal or external threat could cause
6 disruptions to FTB's operations, thus adversely
7 affecting our ability to process returns, issue refunds,
8 or collect taxes. This augmentation will enable FTB to
9 retain qualified staffing for monitoring and protecting
10 FTB's vital infrastructure, work processes, and staff.

11 Finally, our last proposal is for the Contact
12 Center Platform and Customer Callback Software, which is
13 requesting 1.3 million in fiscal year '24-'25 and
14 ongoing to fund increased costs for FTB's Contact Center
15 Platform, also known as CCPs; software subscriptions and
16 services; and to refresh FTB's Customer Callback
17 Software that is approaching end of life.

18 CCP and Customer Callback Software are critical
19 components of FTB's Contact Center and allow FTB to
20 provide self-service options and additional customer
21 service channels. Without these components, there would
22 be an increase in calls received by FTB's Contact Center
23 agents that FTB is not staffed to answer. This would
24 result in increased total costs for FTB, longer hold
25 time for callers, and an overall diminished customer

1 service experience. Approval of this proposal ensures
2 FTB can continue to provide a variety of customer
3 service options to assist taxpayers for filing timely
4 and accurate returns and paying the correct amount of
5 taxes due.

6 At this time, I would like to formally request
7 your approval for our proposals. Thank you for your
8 support, as always. And I'm happy to take any
9 questions.

10 CHAIRPERSON COHEN: Thank you for the thorough
11 presentation and overview for each BCP that you're
12 requesting for.

13 I don't have any questions. I think it was very
14 clear and concise.

15 Do you have any questions? Please.

16 MEMBER VAZQUEZ: Just a quick one.

17 On the first one, when you were talking about the
18 BCP Item 1 -- I guess it's EDR2 project -- can you go
19 over the 13.2 million increase and the addition of one
20 more position? I just would like to gain a better
21 understanding of how that's going to roll out.

22 MS. LUONG: Yes. Thank you for the question.

23 Over the past few years, FTB and the contractor
24 have continued to build a strong partnership to move
25 towards a successful completion of the project with

1 project deliverables that are both timely and robust and
2 to ensure that we're meeting our goals.

3 During our work earlier this year, we did
4 identify that there was some additional work that is
5 required in order for us to meet the project objectives
6 and to also limit interruptions to our current business
7 processes. So thank you for noticing.

8 The increase is for this additional work and the
9 related increase in our contingency funding. But
10 following our established statewide process, FTB has
11 already submitted a Special Project Report and also
12 amended the contract to reflect the updated costs.

13 During the course of this work, I would like to
14 note that we did identify a small workload and
15 associated resource ask that is no longer needed. So as
16 a result, we actually revised our proposal to reduce by
17 one position, by one limited-term position, rather than
18 the increase.

19 MEMBER VAZQUEZ: Appreciate that.

20 And then in your last -- I guess the last part,
21 in terms of the campus security guards.

22 MS. LUONG: Yes.

23 MEMBER VAZQUEZ: I guess you mentioned this going
24 to the Santa Ana facility.

25 I was just wondering, is there other security

1 considerations in some of the other offices throughout
2 the state as well?

3 MS. LUONG: That's a great question. We do have
4 field offices throughout the state. However, Santa Ana
5 is currently the only field office without security
6 guard presence. All of our other field offices are
7 either in a State-owned building that already has
8 security guards or is cohoused with the California
9 Highway Patrol. So as such, we already have sufficient
10 coverage there at this point.

11 Thank you for the question.

12 CHAIRPERSON COHEN: Good question.

13 MEMBER VAZQUEZ: And then the last one, I guess
14 it's now for -- maybe for Jennifer. And this one is on
15 the BCP Item 2, the Political Reform Audit resources.

16 How soon will the Political Reform Act, the PRA
17 program section fill the 13 needed positions?

18 MS. BARTON: We anticipate starting the hiring
19 effort to fill those positions in July 2024.

20 MEMBER VAZQUEZ: And, I guess -- and then when do
21 you anticipate the workload to be normalized to see the
22 impact on the current workloads?

23 MS. BARTON: The PRA workloads are technical,
24 complex, and varied. So training and onboarding takes
25 six months to a year. And we anticipate to see positive

1 impacts to the current workload by July 2025.

2 MEMBER VAZQUEZ: Thank you.

3 I'm good.

4 CHAIRPERSON COHEN: All right. You're good.

5 Thank you very much.

6 All right. Let's go ahead and see if there's any
7 members in the audience that would like to speak on this
8 item.

9 (No response.)

10 CHAIRPERSON COHEN: All right. Seeing none,
11 Operator, could you please check the teleconference line
12 for public comment.

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

17 (No response.)

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

20 CHAIRPERSON COHEN: Thank you very much.

21 Is there a motion on this item?

22 MEMBER VAZQUEZ: So moved. Staff recommendation.

23 CHAIRPERSON COHEN: Commissioner Miller.

24 MEMBER MILLER: And, Madam Chair, I'll be
25 abstaining from this. I'll be abstaining on this one as

1 well.

2 CHAIRPERSON COHEN: Of course. Understood.

3 So a motion made by Member Vazquez.

4 I'll second that motion.

5 Please call the roll.

6 MS. RUBALCAVA: Member Vazquez.

7 MEMBER VAZQUEZ: Aye.

8 MS. RUBALCAVA: Controller Cohen.

9 CHAIRPERSON COHEN: Aye.

10 MS. RUBALCAVA: Perfect. Thank you.

11 CHAIRPERSON COHEN: Thank you very much. Motion
12 passes.

13 I'm going to make a slight change to the agenda.
14 I am going to proceed to Item 9, which is Board Members'
15 Time. And then we will finish our meeting with Item 7,
16 and then we'll go to Item 8. Okay?

17 So at this time, I would like to start off by
18 just recognizing three of our outstanding security
19 guards that are here at FTB who showed bravery and who
20 showed courage in the handling of a recent security
21 incident at the FTB campus. We will present each of
22 them with a Board Resolution of Commendation.

23 First, I would like to recognize Mr. Aziz Ahmad.
24 Please just stand up. Thank you.

25 (Applause.)

1 CHAIRPERSON COHEN: As we honor -- as we honor
2 all three of the security guards, I'm going to be
3 reading some brief remarks from their commendations into
4 the record.

5 Whereas Mr. Aziz Ahmad demonstrated exemplary
6 leadership in the initial security response on the
7 evening of October 1st, 2023, when an individual
8 vandalized and broke into the Franchise Tax Board
9 campus, requiring swift action and law enforcement
10 response from the FTB security team; and whereas
11 Mr. Ahmad's immediate notification to 911, situational
12 monitoring, effective communication, calm demeanor, and
13 quick thinking were paramount in the protection of FTB's
14 campus, employees, and confidential taxpayer
15 information; and whereas the efforts, unwavering
16 resolve -- whereas the efforts and unwavering resolve,
17 exceptional courage, bravery, dedication to the safety
18 and well-being of all Franchise Tax Board employees and
19 quick action, Mr. Ahmad prevented entry into the secure
20 portion of the FTB building.

21 And now, therefore, let it be resolved, this 6th
22 day of December 2023, by the Franchise Tax Board, that
23 we recognize and we thank you, Mr. Aziz Ahmad, for your
24 professional dedication to the State of California, to
25 the Franchise Tax Board, and, most importantly, to the

1 people of the state of California.

2 Please rise so that we can recognize and thank
3 you.

4 (Applause.)

5 CHAIRPERSON COHEN: What I think I'll do is I
6 will read the commendations for everyone, and then we
7 will bring everyone up. Okay? Okay.

8 Next, I would like to recognize Ms. Antionetta
9 Hobby Kemp.

10 (Applause.)

11 CHAIRPERSON COHEN: Ladies and gentlemen,
12 Ms. Antionetta Hobby Kemp demonstrated outstanding
13 leadership in the initial security response on the
14 evening of October 1st as well. She provided fast
15 communication. She also demonstrated a calm demeanor
16 and courage during the incident, and she remains
17 steadfast in the protection of the FTB campus employees
18 and confidential taxpayer information.

19 Of course, these efforts were met with unwavering
20 resolve, exceptional courage, bravery, dedication for
21 safety and well-being of the Franchise Tax Board.

22 Ms. Hobby Kemp prevented entry into the secure portion
23 of the FTB building.

24 Now, therefore, let it be resolved that, on this
25 6th day of December 2023, by the Franchise Tax Board,

1 that we recognize and thank you, Ms. Antionetta Hobby
2 Kemp, for your professional dedication to the State of
3 California, to the Franchise Tax Board, and most
4 importantly, to the people of the state of California.
5 Thank you very much.

6 (Applause.)

7 CHAIRPERSON COHEN: And our third person that
8 we're honoring today is Mr. Stephen Butler.

9 MR. BUTLER: Stephen.

10 CHAIRPERSON COHEN: Stephen Butler.

11 Please stand.

12 (Applause.)

13 CHAIRPERSON COHEN: Ladies and gentlemen,
14 Mr. Stephen Butler also demonstrated commendable
15 leadership in the initial security response on
16 October 1st, 2023, when an individual was breaking into
17 the Franchise Tax Board's campus. He demonstrated swift
18 action and law enforcement response from the FTB's
19 security team. Mr. Butler's actions were nothing short
20 of heroic. He was quick thinking, he was fearless, and
21 the resolution -- in the resolution and the protection
22 of the FTB's campus employees and confidential taxpayer
23 information.

24 You've kept us safe and secure. Your efforts
25 also were unwavering, exceptional courage, bravery,

1 dedication to the safety and the well-being of all of
2 the Franchise Tax Board employees, and your quick action
3 has provided safety. And we are here to commend you.

4 Therefore, be it resolved that, this 6th day of
5 December 2023, by the Franchise Tax Board, we recognize
6 and thank you, Mr. Stephen Butler, for your professional
7 dedication to the State of California, to the Franchise
8 Tax Board, and most importantly, to the people of the
9 state of California.

10 Now -- yes.

11 (Applause.)

12 CHAIRPERSON COHEN: Are there any members that
13 would like to speak on their behalf? Is there a
14 supervisor?

15 (No response.)

16 CHAIRPERSON COHEN: No? Okay. No problem.

17 Well, why don't the honorees come join us on
18 stage. We will present you these beautiful plaques and
19 we'll take a picture. Thank you.

20 (Presentation of plaques.)

21 CHAIRPERSON COHEN: Come on in. Why don't you
22 guys come in the middle. Don't be shy. Clearly, you're
23 not shy. Spring into action here. Come here. Come up
24 a little bit closer here. Okay. All right.

25 These are our heroes, ladies and gentlemen.

1 (Applause.)

2 CHAIRPERSON COHEN: Congratulations, and I
3 appreciate it. Thank you so much. Thank you. You're
4 welcome.

5 Well, folks, there you have it. Real-life
6 superheroes that walk among us. Thank you very much.

7 Now I'm just going to conclude this portion of
8 Item -- this is Item Number 9.

9 Member Vazquez, do you have any comments or
10 anything that you would like to say?

11 MEMBER VAZQUEZ: Yes.

12 Well, first of all, let me just thank the three
13 individuals. Because I understand you were -- all three
14 of you were able to resolve this with no -- nobody
15 getting hurt because of your quick response and
16 immediately getting the police involved with this. So I
17 really appreciate that. I know sometimes in these
18 incidents, sometimes they get out of hand and they can
19 turn into something that can be violent, not only for
20 you as an individual but also for the staff. So
21 appreciate that.

22 In terms of my comments as for the Board Time,
23 this year has been, I guess, a challenging year for many
24 Californians who were affected by these disasters. You
25 know, I'm thinking of the wildfires, storms, flooding.

1 And I just want to commend the FTB staff for their
2 highly responsive efforts to extend filing deadlines, to
3 provide taxpayers assistance, and help ease the burden
4 on thousands of taxpayers during this aftermath of these
5 emergencies.

6 As tax season approaches, I would like to take
7 this opportunity to emphasize the importance of the
8 Volunteer Income Tax Assistance, VITA, program and the
9 critical role it plays in serving low-income families.
10 Most who seek VITA services qualify for much-needed
11 refundable tax credits, such as the Earned Income Tax
12 Credit, the CalEITC, and the Child Tax Credit, worth
13 thousands per return. These credits serve as an
14 invaluable lifeline for many of those who are living
15 paycheck to paycheck.

16 As I brought this up in prior meetings, I would
17 like to extend the VITA service utilizing the mobile
18 VITA workshops and the VITA van that we used to -- that
19 was disabled, and especially for the elderly who were
20 unable to get to a lot of the VITA locations.

21 It is important to me that we continue this
22 effort and to help and assist in any way we can to those
23 that have limited access to these services.

24 Also want to extend my support for any job fairs
25 and recruitment efforts in this next year, specifically

1 in the minority communities and smaller colleges where
2 the FTB have never visited in the past. There are good
3 folks out there that I think would love the opportunity
4 to work for the State but unfortunately, based on the
5 requirements and testings and information and just the
6 connection, just haven't had the opportunity.

7 I believe we can get the word out and be very
8 creative in advertising our job openings to the
9 underserved communities, and I'm looking forward to
10 that, hopefully in this next year.

11 So I really appreciate all the work that you've
12 done up to this point and now that, hopefully, COVID is
13 past us, that we continue to do those in-person outreach
14 visits.

15 Really appreciate it. Thank you.

16 CHAIRPERSON COHEN: Absolutely. Thank you very
17 much.

18 I'm going to turn to Member Miller to see if
19 there's anything that she would like to share.

20 MEMBER MILLER: Thank you, Madam Chair.

21 Just briefly again just to express gratitude to
22 the superheroes that indeed are among us and also, I
23 think, to the superheroes who don't get the
24 acknowledgement, the folks that do all the filing. And
25 I think especially given the huge challenges, with IRS

1 deadlines moving and the great difficulty we had in tax
2 collection this year, the professionalism and grace and
3 expertise of the Franchise Tax Board remains second to
4 none. And I'm incredibly grateful to the service and
5 the ways they continue to lead the State.

6 So thank you very much, Madam Chair. I
7 appreciate the time.

8 CHAIRPERSON COHEN: Of course. Thank you very
9 much.

10 Mr. Vazquez.

11 MEMBER VAZQUEZ: We didn't want to do any kind of
12 closing. Are we going to come back to --

13 CHAIRPERSON COHEN: We're not done. We still
14 have the Taxpayer Hearing --

15 MEMBER VAZQUEZ: No. I'll wait.

16 CHAIRPERSON COHEN: -- and we still have the
17 Executive Directors --

18 MEMBER VAZQUEZ: Yeah, I had a few things on the
19 closing.

20 CHAIRPERSON COHEN: Okay.

21 MEMBER VAZQUEZ: I'll wait.

22 CHAIRPERSON COHEN: All right. Sounds good.

23 MEMBER VAZQUEZ: Thank you.

24 CHAIRPERSON COHEN: All right. Well, let's go
25 ahead, and we'll open public comment on this item. This

1 is Item Number 9.

2 (No response.)

3 CHAIRPERSON COHEN: No one in the auditorium.

4 Let's go online and see if there's anyone on the
5 teleconference line that would like to speak.

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

10 (No response.)

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

13 CHAIRPERSON COHEN: Thank you very much.

14 All right, ladies and gentlemen. I need to
15 excuse myself. Deputy Controller Hasib Emran is going
16 to take over for the rest of the -- remainder of the
17 balance on the meeting.

18 I want to wish you all a wonderful holiday
19 season, and I'll see you in the beginning of the year.
20 Thank you.

21 MR. EMRAN: Thank you, everyone. Good afternoon.
22 My name is -- for the record, my name is Hasib Emran.
23 I'm the California Deputy State Controller for Taxation,
24 on behalf of Controller Cohen.

25 I want to thank you, Controller Cohen, and happy

1 holidays.

2 So moving on, I just want to check on the time.

3 Do we need a break here, or are we going to keep going?

4 Okay.

5 So we have Item 7, we're going to call. For the
6 record, Item 7 is the annual Taxpayers' Bill of Rights
7 Hearing. This is the time set for the Board's annual
8 Taxpayer Bill of Rights Hearing, as required by Section
9 21006 of the Revenue and Taxation Code.

10 The purpose of this hearing is to allow taxpayer
11 and tax practitioners the opportunity to prevent --
12 present directly to the Board any proposals they may
13 have for changes in existing state income tax.

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

17 Present here are Selvi Stanislaus; our Executive
18 Officer Jozel Brunett; Chief Counsel Shane Hofeling;
19 Deputy Chief Counsel Denis Armstrong, Legislative
20 Service Bureau Director; and Angela Jones, our Taxpayer
21 Rights Advocate.

22 So FTB staff will analyze the fiscal and
23 administrative consequences of the proposals and will
24 provide responses at a later time.

25 Angela has some introductory comments, and then

1 we will open it up for public comment.

2 If any individual needs electric [sic] switching
3 system (ESS) assistance, they can call 1 (800) 883-5910
4 and, when prompted, press 5 and then follow the
5 additional prompts.

6 So, Angela, would you like to make your
7 introductory comments? I go to you.

8 MS. JONES: Good afternoon. And thank you,
9 Deputy Controller Emran and Board Members.

10 My name is Angela Jones, and today I have the
11 honor of addressing you as the newly appointed Franchise
12 Tax Board Taxpayer Rights Advocate of this great Golden
13 State of California.

14 Due to the California winter storms and disaster
15 declarations, this has been an unprecedented filing
16 season. I thank the FTB, tax professionals, taxpayers,
17 and other external stakeholders for their collaboration
18 as we navigated through this unique filing season
19 together. I am sincerely grateful and appreciative for
20 the collaboration and support.

21 I also want to thank you, Selvi, for your support
22 throughout the year.

23 I would also like to thank Controller Cohen,
24 Member Vazquez, and Member Miller for providing their
25 valuable perspective, experience, and support of

1 Franchise Tax Board's mission to continually strive to
2 optimize the services they provide to California
3 taxpayers and tax professionals.

4 And last, but certainly not least, I would like
5 to thank my amazing team for educating and advocating
6 for all California taxpayers and tax professionals.

7 California is a beautifully diverse state that
8 has much to offer: great weather, national parks,
9 beaches, and thriving cities. You, the taxpayers, make
10 all this possible by funding essential services and
11 infrastructure.

12 Being a California taxpayer comes with rights,
13 and these rights include the right to voice your
14 concerns. As the Advocate, I'm here to say that your
15 voices matter and your rights matter.

16 I thank the Franchise Tax Board for providing
17 this forum each year to provide you, the taxpayers and
18 tax professionals, the opportunity to voice your
19 concerns.

20 As we transition into receiving comments and
21 concerns, I would like to take a moment to thank
22 participants of our previous Taxpayer Bill of Rights
23 Hearings. The issues they raised, once again, helped us
24 to improve our processes and services.

25 For the speakers calling in today, I want to let

1 you know that we will review your comments and concerns
2 presented and are committed to respond in writing by
3 February 1st of 2024. The responses will be also posted
4 on the Franchise Tax Board's website. Thank you.

5 MR. EMRAN: Thank you, Angela.

6 We'll open it up for any members of the public
7 that would like to make a comment. Please remember to
8 introduce yourself and who you represent, if applicable.
9 And we would like to request you limit your comments to
10 five minutes to ensure everyone will have time to speak.

11 First, we'll take comments from the public on the
12 phone line, and then we'll take comments from the public
13 in the audience.

14 So let's start it off. Is there any member of
15 the public on the phone lines who would like to make a
16 comment, Operator?

17 PHONE MODERATOR: Members of the public on the
18 phone lines, if you would like to place yourself in the
19 queue for public comment, as a reminder, you may press
20 1, then 0 at this time.

21 We will have a public comment from Christine
22 Grab.

23 Please go ahead.

24 Please check your mute button.

25 MS. GRAB: Sorry.

1 My name is Christine Grab, and I am a people of
2 California.

3 1, a large percentage of FTB Executive Staff have
4 been working without properly executed oaths of
5 allegiance or bonds, which are both required by law.
6 Each of these people had no legal standing, and thus,
7 all of their legal decisions must be voided. Please
8 describe the action steps being taken by FTB to void
9 these unlawful legal decisions and rectify the gaps
10 created by these voids.

11 2, 66 percent of FTB's recent Executive Legal
12 Staff did not swear to uphold the laws of the State and
13 Federal Constitutions, as required by law, prior to
14 accepting employment with the State of California. My
15 wish is that interpretations and statutes be reviewed by
16 people with properly executed oaths in order to ensure
17 that FTB is following the laws as written, with no words
18 omitted from and no extra words inserted into the
19 statutes. I would encourage everyone listening to
20 contact FTB with suggestions of statutes to review.

21 3, on FTB's website, it states the Taxpayer
22 Rights Advocate will not accept your case if it
23 questions the constitutionality of the tax system or tax
24 laws. This is unconscionable. It is the job of the
25 Advocate to ensure that FTB protects taxpayers' federal

1 and state rights. My wish is that this guideline be
2 removed so that the Advocate can fulfill her job duties.

3 4, FTB has failed to provide statutes which
4 justify FTB's evasion of the due process laws regarding
5 imposition of wage garnishments, levies, and liens.
6 Thus, FTB has tacitly admitted that this practice is
7 unlawful. My wish is that FTB immediately cease and
8 desist imposition of collection tools without
9 authorization from a Superior Court judge.

10 5, last year, FTB provided a list of payments
11 that are supposed to be immediately applied to the
12 taxpayer's account followed by a vague phrase stating
13 that when those payments are actually applied varies.
14 My wish is that FTB clarify exactly when these payments
15 that are supposed to be immediately applied are actually
16 applied to the taxpayer's account.

17 6, in Grab versus FTB, it was disclosed that some
18 estimated tax payments are put into a status called "no
19 payment" instead of being applied to the taxpayer's
20 account. If a taxpayer makes a payment by the
21 prescribed due date and FTB puts that payment into the
22 no payment status, are there any circumstances in which
23 that payment would not be considered timely? If so,
24 please provide the statutes utilized to justify this.

25 7, in Grab versus FTB it was disclosed that for

1 the purpose of calculating interest, FTB only recognizes
2 some of the payments that have been made and only
3 portions of other payments that have been made. Thus,
4 the taxpayer pays more interest than they should because
5 it falsely appears that the taxpayer had a higher
6 outstanding balance than they actually did. Please
7 provide the guidelines utilized for determining which
8 payments and portions of payments are included in the
9 totals collected for the purpose of calculated interest.

10 8, FTB states that all -- FTB stated that all
11 payments are turned over to the State Controller's
12 Office upon receipt. Are "no payments" also turned over
13 to the State Controller's Office upon receipt, or are
14 "no payments" kept within FTB's possession until the
15 funds are recognized as a payment?

16 9, is it still FTB's procedure to not apply
17 credit elect payments to married couples' accounts until
18 that year's tax return is filed? If so, please identify
19 the specific California Code which justifies this
20 practice.

21 10, what does -- what data does FTB procure from
22 the tax returns of low-income filers? How does FTB
23 utilize this data? And who does FTB release this data
24 to?

25 11, Deputy Chief Counsel Bill Hilson retired last

1 year. Even though he only worked part of the year, his
2 2022 pay was \$136,000 more than he's ever earned before.
3 Please explain the large pay increase.

4 12, I would like to remind FTB that we taxpayers
5 are your employers. We are not your customers, and
6 we're not your clients. My wish is that FTB refer to
7 taxpayers as constituents.

8 Thank you.

9 MR. EMRAN: Thank you, Ms. Grab. For the record,
10 12 -- 12 of your items have been recorded, and the
11 Franchise Tax Board will respond accordingly. Thank you
12 so much.

13 Can we move on to any other callers on the line,
14 please.

15 PHONE MODERATOR: Next, we will have a public
16 comment from Joyce Cheng.

17 Please go ahead.

18 MS. CHENG: Thank you. I am Joyce Cheng, an
19 Enrolled Agent. I represent California Society of
20 Enrolled Agents, and I am their Advocacy & Governance
21 Manager.

22 I want to thank the Board and the FTB and the
23 Taxpayer Rights Advocate for this opportunity.

24 The CSEA has been bringing items of concern
25 raised by our membership, and we have had a great

1 relationship with the FTB in collaborating and getting
2 improvements/enhancements along the way.

3 The first issue I'm going to mention is
4 California conformity. September 30th, 2015, that was
5 the last date of conformity with the Internal Revenue
6 Code. Conformity is a big issue for taxpayers and the
7 taxpaying community, and I believe it impacts the FTB as
8 well.

9 With so many new laws being ushered in, with a
10 lack of conformity, there is a higher risk that people
11 will not be able to comply with the laws and may need to
12 keep a double set of books, and it creates a burden on
13 taxpayers.

14 The FTB Supplemental Guidelines to California
15 Adjustments, Publication 1001 provides 24 pages of the
16 nonconformity or modified conformity between federal and
17 California tax law.

18 CSEA understands the magnitude of the work to
19 create a new date for conformity. However, such
20 conformity would be helpful and eliminate additional
21 burden on the taxpayers.

22 We support conformity to tax reforms, and we are
23 available as a resource to provide insight, any help at
24 any level in this respect.

25 I will address one particular issue of

1 conformity, but I'm going to raise it in my second
2 issue. This is not so much an issue that requires --
3 and, Ms. Jones, I apologize. Maybe I can waive the need
4 for a written response to this one. But this is more of
5 a self-preservation issue, self-preservation for our
6 organization, our members, and the entire state of
7 California.

8 We need to create a business-friendly California.
9 California has seen the exodus of large businesses, such
10 as Tesla, Oracle, HP Enterprise, Starlink, and many,
11 many more from this state to either tax-free or tax- and
12 business-friendly states. When such businesses leave,
13 it is no secret that the decision is at least partially
14 based on California tax policies. Other factors include
15 the high cost of living and ability to grow their
16 businesses.

17 California continues to add taxes to the statutes
18 and the lays [phonetic] but fails to conform to many
19 federal tax changes. These taxes are driving away huge
20 sources of revenue with no replacement to fill the gap.

21 As an example, this is an issue of nonconformity
22 for the FTB. The Federal IRC Section 179 is -- the
23 Section 179, depreciation deduction. California maximum
24 is \$25,000 with a phaseout at \$200,000. The current
25 federal amounts are \$1 million for the deductions, and

1 2 and a half million is when it starts phasing out.
2 This is an incredible disparity, and it needs to be
3 addressed. This is one of the reasons why California is
4 seeing an exodus of businesses. There's no indexing for
5 inflation.

6 Year 1 of the 2023/2024 legislative session gave
7 rise to billions of dollars of new or extended taxes.
8 If businesses are being burdened with new taxes all the
9 time, there is always the potential and likelihood that
10 those costs will be passed on to consumers. Not only
11 are businesses leaving the state, but how long before we
12 see a mass exodus of individuals? And by "individuals,"
13 I mean workers --

14 MS. RUBALCAVA: Deputy Controller, time has
15 expired.

16 MR. EMRAN: Thank you, caller. Your response has
17 been recorded.

18 Operator, do we have anybody else on the line?

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

21 MR. EMRAN: Thank you.

22 Next, we will take comments from any members of
23 the public in the auditorium. Please feel free to come
24 up and speak.

25 (No response.)

1 MR. EMRAN: Any members, please. Last call.

2 Going once, going twice.

3 (No response.)

4 MR. EMRAN: Thank you, everyone. This concludes
5 the 2023 annual Taxpayers' Bill of Rights Hearing.

6 Please, Member Vazquez.

7 MEMBER VAZQUEZ: Just one quick comment here.

8 Just, first of all, I wanted to thank you,
9 Ms. Jones, for your presentation, and congratulations on
10 your new appointment here. And I look forward to
11 working with you and improving the customer experience
12 with the FTB.

13 I was just wondering, moving forward, what you
14 see as some of the -- your immediate plans for
15 improvement as well as the big-picture plans, as the new
16 Advocate here.

17 MS. JONES: Thank you for the question, Member
18 Vazquez.

19 My big-picture vision is to be the trusted voice
20 to ensure equitable tax administration for California
21 taxpayers and tax professionals. My small, yet mighty
22 team and I will: stay informed about changes in tax
23 policies to effectively represent and protect taxpayers,
24 continue to provide education and outreach to taxpayers
25 and tax professionals, listen to taxpayer and tax

1 professional concerns, take action to research and
2 resolve, and recommend changes to FTB policies and
3 procedures.

4 One area where significant improvements have been
5 made is with our education and outreach to small
6 business owners. I have worked closely with our Small
7 Business Liaison to foster relationships with external
8 stakeholders, in alignment with FTB's DEI missions and
9 values. Doing so has helped us to better serve
10 underserved small business communities.

11 As a result of establishing these relationships,
12 our Small Business Liaison has presented educational
13 seminars to the following: California Black Chamber of
14 Commerce at their Economic Business Summit and at their
15 upcoming Financial Literacy Workshop for Small
16 Businesses; the Chinatown Service Center Small Business
17 event, where our Small Business Liaison presented in
18 tandem with a Mandarin translator; IRS and Negozee Small
19 Business event -- and Negozee focuses on helping
20 Spanish-speaking Hispanic entrepreneurs -- Alchemist
21 Community Development Corporation for minority-owned
22 restaurant and small business owners; California
23 Southern Black Chamber of Commerce; Los Angeles
24 Diversity Summit, sponsored by the California Department
25 of Insurance; Pasadena NAACP Small Business event; IRS

1 Hispanic Small Business event in San Diego.

2 We will continue to work towards providing the
3 best use of our resources to maximize our outreach to
4 small business owners. Thank you.

5 MEMBER VAZQUEZ: Thank you.

6 MR. EMRAN: Thank you, Angela. Really appreciate
7 those comments. And we want to welcome you as well, on
8 behalf of the Controller. It's a very, very important
9 role in the organization. And looking forward to the
10 great work, the work that's actually already ahead of
11 you now. Thank you so much.

12 So we'll be moving also -- that does officially
13 conclude the 2023 annual Taxpayers' Bill of Rights
14 Hearing.

15 So we did reshuffle the agenda a little bit. So
16 this is the last and final item, Item 8, which is the
17 Executive Officer's Time. And I'll turn it over to our
18 Executive Officer, Selvi Stanislaus.

19 EXECUTIVE OFFICER STANISLAUS: Thank you very
20 much. I have no comments at this time.

21 MR. EMRAN: Thank you, Selvi.

22 Members, do we have any questions or comments?

23 (No response.)

24 MR. EMRAN: Seeing none, is there any members of
25 the public wishing to speak on this item or on the

1 teleconference? We'll go with members in the auditorium
2 first.

3 (No response.)

4 MR. EMRAN: Seeing none, is there anybody on the
5 teleconference line, Operator?

6 PHONE MODERATOR: Yes. We have a member on the
7 phone lines. Going to Gina Rodriguez.

8 Please go ahead.

9 MS. RODRIGUEZ: Thank you. I was in the queue,
10 but they didn't call on me. Can we go back to the Bill
11 of Rights Hearing, or is that already closed?

12 MR. EMRAN: It's closed, Ms. Rodriguez. But you
13 can make your comments, and we can record that and get
14 you a response.

15 MS. RODRIGUEZ: Okay. Great. Thank you. Thank
16 you very much.

17 And thank you, AT&T operators. I got off a plane
18 and tried to find a quiet spot, and dealing with
19 technology is no fun.

20 But first, I want to thank Angela and her team,
21 especially Judy. You guys have a tough job, and all the
22 work you do is appreciated. Please know that.

23 My name is Gina Rodriguez, and I am a principal
24 in Ryan's Advocacy Services Practice. Ryan is not an
25 accounting firm. Taxes/technology services are all we

1 do. And as such, we are not restricted by the
2 Sarbanes-Oxley Act, which puts us in a very unique
3 position to try to effect positive changes --
4 (inaudible, teleconference connection issue) -- and
5 procedures.

6 I just have two issues today. Number 1 is the
7 OTA's lack of jurisdiction over notices of proposed
8 overassessment, called NPOs; and then Number 2, the
9 length of time it takes to complete an audit, including
10 audits of refund claims as well as protests and
11 alternative apportionment petitions.

12 First, the FTB releases NPOs when an assessment
13 is less than the refund claim. NPOs are not listed as
14 an approved jurisdictional form in the OTA's
15 regulations. Therefore, OTA is generally prohibited
16 from hearing an appeal based on an NPO.

17 I'm going to -- I'll present this, Angela. I'll
18 get this over to you in writing; so you can stop taking
19 notes. But I just wanted to see if we can figure
20 something out to help taxpayers, because we have no
21 appeal rights for taxpayers who have an NPO in hand.

22 So maybe we get the FTB to stop issuing the NPOs
23 and maybe pivot over to issuing notices of action to
24 partially deny refund claims and then issuing notice of
25 proposed assessment for the same year.

1 I'm not sure what the answer is, but if OTA is
2 not going to correct their jurisdictional -- (inaudible,
3 teleconference connection issue) -- to protect
4 taxpayers.

5 This relates to the continued complaints we
6 receive from taxpayers about -- and this is across the
7 nation -- about the length of time it takes to conclude
8 audits, including refund claims, as well as the time it
9 takes to resolve protests and petitions for --
10 (inaudible, teleconference connection issue).

11 For refund claims, taxpayers can use the
12 statutory "deemed denial" rule and appeal to the OTA if
13 the FTB takes no action within six months. However,
14 that pushes incomplete audits to the OTA, puts pressure
15 on them, and has the potential to clog the appeals
16 system.

17 This whole issue of slow resolution of cases has
18 been around a long time, about three decades, as far
19 back as 1988. When the Bill of Rights was acted [sic],
20 the legislature wanted to ensure that the FTB took great
21 care with its audit and protest inventory, and acted --
22 enacted Section 21010. And, quote -- I'm going to quote
23 that. It says "to develop a plan to reduce the time
24 required to resolve amended return claims for refund,
25 protests, and appeals."

1 Really, the appeals issue, that's been resolved.
2 We don't have a backlog with it. Since the OTA was
3 established, we think things are running fine over
4 there. But then subsequent to the enactment of the Bill
5 of Rights in 2003, FTB's regulations, under 19032, were
6 adopted. And these regulations provided time frames
7 which are intended really to provide an orderly audit
8 process.

9 There are exceptions to -- and what those
10 regulations did was say "two years, FTB," two years to
11 get it done once the audit has commenced. And,
12 obviously, there are exceptions to that.

13 You know, on the property tax side, we have a
14 rule that says if the assessor doesn't complete the
15 appeal within two years, the taxpayer automatically
16 wins. Wouldn't it be great to have a similar rule at
17 the FTB?

18 In 2013, I testified in my capacity at CalTax on
19 this exact issue. And so we still are seeing problems.
20 And if this is a matter of resources, I would hope that
21 FTB would look at its budget allocations and would
22 encourage the FTB to allocate as much as possible to the
23 Audit Division. If the FTB needs support for additional
24 resources, Ryan is in a position to help.

25 I'm also -- I did not find any public reports, at

1 least of which I'm aware, that describes the FTB's
2 inventory for audits, protests, and alternative
3 apportionment to petitions. So it might be helpful to
4 know what type of inventory we're dealing with.

5 And thank you for your time, and sorry I was out
6 of order.

7 MR. EMRAN: No. No problem at all. Thank you,
8 Ms. Rodriguez, for your comments. They have been
9 recorded, and please expect a response from the
10 Franchise Tax Board accordingly.

11 So with that, there is no other business. I
12 would like to move to closing, closing remarks.

13 Member Vazquez.

14 MEMBER VAZQUEZ: Yes.

15 I would just like to, as we move forward, one,
16 just wish everybody a happy and healthy and safe holiday
17 season as we come into the end of the year here and,
18 hopefully, a safe and a prosperous New Year as we come
19 back in the New Year, because this will be the last one
20 of 2023.

21 And if it's appropriate, I was just going to
22 recommend an adjournment motion, but I'll wait. You
23 want me to do it now?

24 MR. EMRAN: I'll make some remarks, and then --

25 MEMBER VAZQUEZ: Sure. Go ahead.

1 MR. EMRAN: -- we can adjourn on your behalf as
2 well.

3 I just want to also thank you, on behalf of
4 California State Controller Malia Cohen. I want to just
5 thank you all. I can't believe it's already the end of
6 Year 1 here at the Franchise Tax Board. And it was
7 just -- I had this conversation with the Controller
8 earlier.

9 When we were transitioning our new administration
10 into this New Year, we were talking about how excited we
11 were and everything that was going to come with it. And
12 then all of a sudden, back-to-back-to-back atmospheric
13 rivers came and caused the state -- turned the state
14 upside down, and the major disaster declarations and
15 whatnot created almost walking into -- the situation was
16 chaos. But banded together with the professional and
17 amazing staff here, with the leadership team. I think
18 it was an incredible response, and I just want to thank
19 you all from the bottom of my heart, from the bottom of
20 the Controller's heart for all the incredible work that
21 you've all done.

22 I'm really excited for the 2024 New Year, and
23 please continue to use all of us as a resource. So I'm
24 really, really looking forward to that.

25 And then my second note. Coming up on

1 December 10th is Human Rights Day. It was mentioned in
2 the presentation as well. It's the 75th anniversary of
3 the United Nations Declaration of Human Rights for
4 everyone. So no matter who you are or where you come
5 from, everyone deserves to be treated with dignity and
6 respect.

7 And that's something -- core values here at the
8 Franchise Tax Board, and we're making sure that's core
9 values here at the State of California as well. So it's
10 a freedom to respect, to dignity. Those are all key
11 pillars that we're going to continue to work with and
12 move forward. I want to thank you all so much.

13 And, Member Vazquez, I yield back to you.

14 MEMBER VAZQUEZ: Thank you.

15 I was just taken aback this morning when I heard
16 that we lost Norman Lear. You know, he was such a
17 revolutionary producer. But, you know, I didn't realize
18 he got to be 101 years old. He passed the centennial.

19 But I guess my fond memories of him is, you know,
20 as a young buck, watching "All in the Family." I mean,
21 I think that was -- to me, was like one of the biggest
22 revolutionary things on TV, because up to that point I
23 really wasn't watching a whole lot of TV.

24 And he just kind of brought it back to life for
25 me, along with "The Jeffersons," were some -- you know,

1 he had several other impacts on sitcoms and even full
2 feature films as well. But those, to me, were like the
3 ones that really stuck in my mind. And he was such a
4 revolutionary in terms of what he did, not only in the
5 industry but then also just politically. I think he
6 changed the atmosphere for a lot of us.

7 And as you talk about the UN, the anniversary,
8 it's just kind of -- it's kind of fitting. I wish I had
9 more to say about all of his accolades, but I just got
10 wind of it this morning, that he had passed. I believe
11 it was last night in my district here, in Los Angeles.

12 So he's going to be sorely missed. My
13 condolences go out to his family and the members of his
14 family as well.

15 MR. EMRAN: Thank you, Member Vazquez. Very well
16 said. Rest in peace to Norman Lear.

17 Seeing that there's no other business coming
18 before this Board, this will conclude our Franchise Tax
19 Board meeting for today. Thank you, everyone. Happy
20 holidays. And we are adjourned at 3:37. Thank you.

21 (Proceedings concluded at 3:37 p.m.)

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CERTIFICATE OF REPORTER

I, EMILY SAMELSON, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing proceedings were reported, to the best of my ability, in shorthand by me, Emily Samelson, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd of December, 2023.



EMILY SAMELSON, CSR
Certified Shorthand Reporter
License No. 14043

