

LEGISLATIVE PROPOSAL 24-A

EXECUTIVE SUMMARY

Title

Repealing the Expiring Provision for Electronic Communication

Problem

Revenue and Taxation Code (RTC) section 18416.5 will be repealed on January 1, 2025. This RTC section currently allows a taxpayer to choose to receive notifications from the Franchise Tax Board (FTB) electronically.

Proposed Solution

To pass a bill that would eliminate the repeal date.

Major Concerns/Issues

No considerations identified.

Fiscal Impact

No impact.

Economic Impact

No impact.

Title

Repealing the Expiring Provision for Electronic Communication

Introduction

Since 2011, the FTB has been authorized to offer taxpayers the option to choose to receive and send notifications electronically. Currently that authorization will be repealed on January 1, 2025.

Problem

RTC section 18416.5 will be repealed on January 1, 2025. This RTC section currently allows a taxpayer to choose to receive notifications from FTB and file certain communications with FTB electronically.

Proposed Solution

To pass a bill that would eliminate the repeal date on FTB's authorization to, at the request of the taxpayer, send notifications electronically.

Program History/Background

RTC section 18416.5 was initially added by the passage of AB 2177 (Beall, Chapter 136, Statutes of 2010) which, beginning on January 1, 2011, allowed a taxpayer to elect to receive electronic communications from the FTB. This RTC section would have been repealed as of January 1, 2018. AB 1720 (Assembly Revenue and Taxation Committee, Chapter 177, Statutes of 2017) extended the repeal date to January 1, 2025, and was effective January 1, 2018.

Current Federal Law

No similar provision identified.

Current State Law

Current state law (RTC 18416.5) allows the FTB to implement alternative communication methods at the request of a taxpayer or the taxpayer's authorized representative to provide a notice, statement, bill, or other communication via electronic means. This authority expires January 1, 2025.

Effective/Operative Date of Solution

If enacted in 2024, the extension would be effective and operative on and after January 1, 2025, to allow this law to continue without interruption.

Justification

Allowing the FTB to continue to use an electronic method of sending notifications to taxpayers who have elected this method of communication will provide cost savings in the form of printing and postage costs.

Additionally, taxpayers who have elected to receive electronic notification will benefit by not having their preferred method of notification interrupted.

Approximately 1 million taxpayers have registered for a MyFTB account. Out of those 1 million taxpayers, approximately 50,000 have chosen to receive an electronic notification rather than receiving a notice via US Mail. For Fiscal Year 2022/2023, approximately 110,000 emails were sent to taxpayers advising them they have a notice available online in their MyFTB account. Taxpayers can also elect to receive a text message notification in addition to or in lieu of receiving an email notification. For Fiscal Year 2022/2023, approximately 65,000 text messages were sent to taxpayers advising them they have a notice available online in their MyFTB account.

Implementation

No implementation considerations anticipated.

Fiscal Impact

No fiscal impact is anticipated for the elimination of the repeal date.

Economic Impact

No economic impact is anticipated for the elimination of the repeal date.

Policy Considerations

No policy considerations are anticipated for the elimination of the repeal date.

Other Agency/Industry Impacted

No impact to other agency/industry anticipated.

Other States

Not Applicable

Potential Compromises

There are no other solutions that would keep the flexibility offered under current law.

Additional Comments

None.

Legislative Contact

FTBLegislativeServices@ftb.ca.gov

**Franchise Tax Board's
Proposed Amendments to LP 24-A**

AMENDMENTS

Section 18416.5 of the Revenue and Taxation Code is amended to read:

(a) The Franchise Tax Board may, by regulation, implement an alternative communication method that would allow the Franchise Tax Board, at the request of the taxpayer or the taxpayer's authorized representative, to provide notification to the taxpayer in a preferred electronic communication method designated by the taxpayer that a notice, statement, bill, or other communication required or authorized under Part 10 (commencing with Section 17001), this part, or Part 11 (commencing with Section 23001) is available for viewing in the taxpayer's limited access secure folder on the Franchise Tax Board's Internet Web site and would allow the taxpayer or the taxpayer's authorized representative to file a protest, notification, and other communication to the Franchise Tax Board in a secure manner. Prior to obtaining the consent of a taxpayer to participate in the alternative communication method authorized by this section, the Franchise Tax Board shall advise the taxpayer or the taxpayer's authorized representative of the ramifications of electing to receive notifications from the Franchise Tax Board in the manner selected and of failing to take appropriate action in response to one or more of those notifications.

(b) Sending electronic notification to a taxpayer or the taxpayer's authorized representative pursuant to the taxpayer's request made in accordance with regulations authorized under subdivision (a) shall not be considered a violation of Section 19542 or 19542.1. Any electronic notification provided to a taxpayer using the alternative communication method authorized by this section shall include plain language advising the taxpayer that a failure to act may cause the taxpayer to forego procedural or administrative rights to challenge the proposed action.

~~(c) This section shall cease to be operative with respect to a notice, statement, bill, protest, or other communication between the Franchise Tax Board and a taxpayer on or after January 1, 2025, and is, as of that date, repealed. The repeal of this section shall not be interpreted or applied to invalidate any notice, statement, bill, protest, or other communication between the Franchise Tax Board and a taxpayer prior to that date using the alternative communication method authorized by this section prior to its repeal.~~

(c) ~~(d)~~ Notwithstanding any other law regarding the use of United States mail, any notice, statement, bill, protest, and other communication from the Franchise Tax Board to a taxpayer or the taxpayer's authorized representative and from a taxpayer or the taxpayer's authorized representative to the Franchise Tax Board pursuant to the alternative communication method authorized by this section shall be treated as if it were mailed by United States mail, postage prepaid.