

STATE OF CALIFORNIA

FRANCHISE TAX BOARD

FRANCHISE TAX BOARD MEETING

MONDAY, DECEMBER 8, 2025

1:00 PM

TOWN CENTER, GERALD GOLDBERG AUDITORIUM

9646 BUTTERFIELD WAY

SACRAMENTO, CA 95827

REPORTED BY:
NATALIE FAGAN, CSR 13993

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APPEARANCES

BOARD MEMBERS:

MALIA M. COHEN
State Controller

(Chairperson of the Board)

TED GAINES
Chairperson
Board of Equalization

HASIB EMRAN
Deputy State Controller, Taxation

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STAFF

SELVI STANISLAUS
Executive Director

CRISTINA RUBALCAVA
Board Liaison

SHANE HOFELING
Chief Counsel

ERIN DENDORFER
Deputy Chief Counsel

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ALSO PRESENT

CHRISTINE GRAB (via telephone)

SUSAN SHAW - California Society of Enrolled Agents
(via telephone)

GINA RODRIQUEZ - Ryan, LLC

JEISSY LEE - California Taxpayers' Association

1 CONTROLLER COHEN: All right. It's good to be
2 back at the Franchise Tax Board. Highlight of my day.
3 This is -- seriously. No jokes aside. This meeting --
4 this hearing is truly one of the highlights of the year
5 for me, so I'm very excited. And I just want to make a
6 public announcement that we will be having public
7 comment for three minutes, because I don't want to be a
8 scrooge, and I know there are people who have many
9 things on their mind that wait all year to share with
10 us. This will be three-minute public comment during the
11 Taxpayer Bill of Rights Hearing. Okay.

12 All right. Well, this is the scheduled time
13 for the meeting of the Franchise Tax Board. Will the
14 board liaison please call the roll to determine if a
15 quorum is present.

16 MS. RUBALCAVA: Member Gaines?

17 MEMBER GAINES: Here.

18 MS. RUBALCAVA: Member Perrault?

19 MEMBER PERRAULT: Here.

20 MS. RUBALCAVA: Chair Controller Malia Cohen?

21 CONTROLLER COHEN: Present.

22 All right. I guess we're all here and
23 accounted for.

24 Thank you, Christina, we appreciate that.

25 All right. So it's December 8th. It's 1:00.

1 Let's go ahead and get started. And let's stand and
2 join me for the Pledge of Allegiance, if you are
3 physically able to join us. Please put your right
4 (indiscernible) --

5 Franchise Tax Board Meeting. The public has a
6 right to comment on each agenda item. If there are any
7 members of the public wishing to speak on an agenda
8 item, please come forward when the item is called, and
9 you will have -- okay. In this part of the agenda you
10 will have two minutes to provide comments to the Board
11 regarding the specified agenda item. And for today's
12 meeting, members of the public who wish to comment via
13 teleconference, we have a special dial-in number for
14 you. It is (844) 767-5651. And you want to enter
15 access code of 302938.

16 Ladies and gentlemen, please be aware that
17 there is a short delay between the live stream and the
18 live event. If there are any members of the public
19 wishing to speak on an item and you are using a
20 translator or a translation service, you will have four
21 minutes to address the board. All speakers will be
22 asked to identify yourself, just for the record. All
23 right. Are we ready to rock and roll? Are you ready
24 for Item Number 1? Good. Me too.

25 So the first agenda item, Members, is the

1 approval of the minutes. We have the minutes from
2 September 8, 2025 from the Franchise Tax Board meeting.
3 Are there any comments, or are there any questions?
4 None? Okay. No problem. We will take the first person
5 on the phone line.

6 OPERATOR: Ladies and gentlemen on the phone
7 lines, if you would like to place yourself in queue for
8 public comment, please press one and then zero at this
9 time.

10 CONTROLLER COHEN: Okay. It looks like there's
11 no public comments online.

12 OPERATOR: No members of the public are queuing
13 up at this time. Please continue.

14 CONTROLLER COHEN: Thank you very much.

15 Are there any members of the public in the
16 auditorium that would like to speak today on the agenda?
17 None? All right.

18 All right. (Indiscernible), do I have a motion
19 to approve the minutes?

20 MEMBER GAINES: So moved.

21 CONTROLLER COHEN: Is there a second?

22 MEMBER PERRAULT: Second.

23 CONTROLLER COHEN: Second by the representative
24 from the Department of Finance.

25 Could you please call the roll?

1 MS. RUBALCAVA: Member Gaines?

2 MEMBER GAINES: I.

3 MS. RUBALCAVA: Member Perrault?

4 MEMBER PERRAULT: I.

5 MS. RUBALCAVA: Chair Controller Malia Cohen.

6 CONTROLLER COHEN: I.

7 All right. Without objection, this agenda item
8 passes forward unanimously.

9 Item Number 2, next we have -- it's the FTB
10 2026 through 2030 Strategic Plan. This is a
11 presentation brought to us by Mr. Roger Lackey. And,
12 again, this is a vote, and this is subject to Board
13 approval.

14 Mr. Lackey, good to see you. The floor is
15 yours.

16 MR. LACKEY: Thank you. Good afternoon Chair
17 Controller Cohen and Board Members. I'm Roger Lackey,
18 chief of the Finance and Executive Service Division, and
19 I'm here to present the draft of 2026-2030 Strategic
20 Plan for your consideration and approval.

21 In preparing for the development process, FTB
22 reviewed '21-'25 Strategic Plan to confirm our mission,
23 foundational principles and value, continue to the
24 embody the core of FTB, ensuring alignment with our
25 long-term vision and priorities. However, since FTB's

1 last Strategic Plan, our world has changed. Because of
2 this, FTB wanted to collaborated with our stakeholders
3 early in the development process in the new plan to
4 ensure our goals and strategies reflect today's
5 environment.

6 Over the past 18 months we have conducted
7 workshops and feedback sessions with both our internal
8 and external stakeholders. Through these discussions we
9 identified new trends impacting our work and uncovered
10 areas for improvement within FTB. For internal feedback
11 sessions, we created focus groups comprised of staff at
12 all levels, ensuring that we include staff who work
13 directly with the public either via the contact center
14 or at public counters to gain their unique perspective
15 and hear the voice of our customers. For external
16 feedback sessions, we partnered with staff and the
17 Taxpayers' Rights Advocate's office to meet with and
18 solicit feedback from FTB's advisory board, the
19 California Society of Certified Public Accountants, an
20 California's Society of Enrolled Agents.

21 Following the feedback sessions, we conducted a
22 series of workshops with FTB leadership and used that
23 information gathered from our stakeholders to review and
24 revise each component of the Strategic Plan. Now I'm
25 excited to present FTB's proposed 2026-2030 Strategic

1 Plan. For this new plan, FTB has retained the succinct
2 two-page format, and a copy of the draft language, which
3 can be found in your binders.

4 Today we will focus our discussion on FTB's
5 goals and strategies. Goal one and two have external
6 focus, exceptional service, and effective compliance.
7 Goals three and four focus on our internal operations,
8 strong organization, and operational excellence.

9 Our first goal, exceptional service. We focus
10 on enhancing our customer service by developing
11 solutions that meet customer needs across all service
12 channels, such as my FTB, online self-services, and our
13 public counters. We foster a positive organizational
14 culture for great customer experiences, and ensure
15 customers are aware of our services and how to use them.

16 FTB's second goal, effective compliance. To
17 achieve this goal, we identify areas of non-compliance
18 and implement campaigns, such as return review letters
19 to improve compliance. In addition, we focus on
20 improving collaboration with the tax community and
21 government partners and improve case selection in all of
22 our compliance programs.

23 FTB's third goal, build a strong organization.
24 We accomplish this by investing in our employees so they
25 can reach their full potential. This means enhancing

1 workforce development training, improving engagement and
2 job satisfaction, strengthening our culture and
3 diversity, equity, inclusion, and accessibility values
4 and celebrating achievements and encouraging everyone to
5 contribute ideas and input.

6 FTB's fourth goal, achieve operational
7 excellence. We do this by efficiently allocating our
8 resources, using data to make timely decisions,
9 modernizing IT systems, and leveraging emerging
10 technologies to support and approve business and
11 administrative activities. This goal also focuses on
12 implementing proactive security models to protect
13 customer information and departmental resources and
14 standardizing our IT service delivery to optimize
15 operations. And finally, this goal focuses on
16 strengthening physical security to protect our
17 employees, assets, and operations and advancing equity
18 in underserved communities to ensure taxpayers aware of
19 their obligations and their availability of free and
20 reliable resources.

21 So in closing, I would like to thank our
22 external and internal stakeholders for the input in
23 developing our new Strategic Plan. And our two staff,
24 Katie Roller and Kelly Moss, who have guided us in the
25 development of this Strategic Plan over the 18 months.

1 So thank you, Controller, Chair Controller, and Board
2 Members, it's been a pleasure presenting to you today,
3 and if you have any questions or comments, I'm happy to
4 take them.

5 CONTROLLER COHEN: All right. Thank you very
6 much. Let me check in with my colleagues.

7 Senator, do you have any questions?

8 MEMBER GAINES: I do. I'm just wondering if
9 maybe you could tell us a little bit about some of the
10 key metrics for what you just described. So you've
11 got -- you've got a plan --

12 MR. LACKEY: Yes.

13 MEMBER GAINES: -- which is awesome. For your
14 plan, can you tell me how -- how you execute it, and
15 then how do you make sure you are following up and
16 actually do what the plan says?

17 MR. LACKEY: Sure. For the sake of time, I'm
18 going to give a couple examples related to the metrics,
19 and I'll also talk about our process to actually build
20 out our business plan and our action plan and then the
21 follow up. So in terms of examples, you're going to
22 hear one -- one of our, obviously, objectives in this
23 future plan is going to be our contact -- you know,
24 modernizing our contact service platform, and through
25 that effort, we're going to actually establish right key

1 performance indicators, baseline, and where we are today
2 and where we want to go in the future. So that's one
3 example related to customer service, also involves
4 operational excellence.

5 The other would be employee engagement, so what
6 FTB -- there's a couple different metrics you can use
7 for employee engagement. One is related to workforce,
8 so you can look at your attrition, you can look at the
9 tenure of your staff, and you can see the trends that
10 take place, so there's a way for us to do that. The
11 other is is that having regular employee engagement
12 surveys where employees are allowed to provide honest
13 feedback to us with regard to how we are doing as an
14 organization, how we're doing with regard to my role,
15 the chief of my division all the way down to the first
16 line supervisor in our leads. And so within those,
17 those are metrics that we can go and we can look at and
18 we can establish where there's opportunities for us to
19 do a little bit better.

20 And the last example that I would provide --
21 earlier we talked about return review letters. So
22 that -- these campaigns are something new that we've
23 been doing over the last few years. A simple one --
24 just to reference, not getting into details -- is where
25 we see things that are -- could be outliers related

1 to -- you know, adjustments on schedule -- error
2 adjustments -- but people claiming itemized deductions
3 on their Schedule A or maybe their Schedule C, and we'll
4 send them a friendly letter saying, hey, we -- you know,
5 this looks like this might this or it might be that, and
6 then we look at the pattern in terms of those taxpayers
7 going forward. If they kind of get into compliance,
8 maybe file an amended return, we can actually address
9 that, and so that's another metric where we have the
10 names and we can look back at it.

11 And then the last one, which you are very, very
12 familiar with is related to Earned Income Tax Credit.
13 And so we send out non-filer letters to taxpayers
14 saying, it looks like -- hey, there's money on the table
15 for you. It looks like you qualify for Earned Income
16 Tax Credit, so we actually have that as a metric that we
17 can point to. And then last, we have a lot of customer
18 service stats to see how things trend. One of the
19 things that we've done over the last few years, and it's
20 mentioned here as something an area focus is all of our
21 self-services, and so those are the abilities for us to
22 actually dive in and look at metrics where we are today
23 and where we are in the future related to self-services.
24 Again, allows us to know where we need to market a
25 little bit more than what we're doing today. So those

1 are some examples about metrics. The more details of
2 that will be as the next steps where we actually get
3 together with Selvi, executive team and our different
4 action committees of our governance to be able to drive
5 out the specific objectives to support that plan, and
6 then those metrics that would be included in there.

7 So the process -- and just kind of getting into
8 it is -- FTB has a governance program where we actually
9 have a sponsorship for each one of these goals, and so
10 they're regularly having conversations. Program areas
11 come through, use those action committees to pursue
12 opportunities and see if they align with our Strategic
13 Plan, if they're things we can support, if they're
14 priorities, and if they're approved, we formalize those
15 and then going forward those are tracked and quarterly
16 reported. And all of that rises up to our enterprise
17 project portfolio where, again, from Selvi and executive
18 team were watching what's going on with the resources,
19 right, that we're using to drive our program forward.
20 And then the last is that they're interim reports for
21 the Strategic Plan on our accomplishments once it is
22 approved that we would be reporting on.

23 MEMBER GAINES: Excellent. Thank you very
24 much.

25 CONTROLLER COHEN: All right. Thank you very

1 much.

2 Member Perrault, do you have any questions?

3 MEMBER PERRAULT: Actually, kind of just a
4 follow-up --

5 CONTROLLER COHEN: Sure.

6 MEMBER PERRAULT: -- of Senator Gaines's
7 question. I appreciate the layout of sort of internal
8 checks and balances and, you know, my biggest thing
9 about Strategic Plans and I see a ton of these across
10 all the different departments, agencies, boards, what
11 have you, is that they get done and then they kind of
12 sit; right? And so I appreciate the thoughtfulness
13 around what are the next steps around the metrics and
14 how those sort of internal monitoring will be occurring,
15 will -- at the end of -- I'm thinking of it as an annual
16 thing; right? At the end of each annual -- each year,
17 will there be an annual sort of roll-up that then the
18 Board would also see as far as where there has been some
19 progress within the goals? I know you talked a little
20 bit about what was going to happen internally with the
21 staff and monitoring. I think that's great. But I
22 think it might be helpful, also, I think for the Board
23 at large to sort of see what has occurred in each year
24 based on the overarching goals, as well.

25 MR. LACKEY: Yes. Definitely. We do that in a

1 manner, but not specifically calling that out as an
2 agenda item. A number of the topics that we bring
3 forward, whether they're focused on operation -- filing
4 season operations, those things. But, yeah, I think
5 that's something that we can definitely take back and
6 that can be a regular occurrence. We can figure out
7 what works for the Board in terms of the timing of that,
8 if that's more of a spring or a -- you know, the May,
9 June board meeting so that you get that full look of the
10 previous year giving us the opportunity to put the
11 reports and the metrics together.

12 MEMBER PERRAULT: And I do -- I know that
13 oftentimes you guys come and give us updates on specific
14 programs and projects.

15 MR. LACKEY: Sure.

16 MEMBER PERRAULT: And that's very helpful, but
17 it might be nice to have something in sort of one spot
18 that goes across the entire landscape, and I'm not
19 suggesting -- one, I don't want to create more work for
20 your team, but -- and I'm not suggesting it necessarily
21 needs to be a full presentation, but it might be
22 something that could just be sent to the Board for us to
23 have and be able to see the work because I'm sure there
24 will be a ton of work that happens throughout the years
25 that support the Strategic Plan, so it gives us a sense

1 too just of how much is going into everything that
2 happens with this entire organization and its employees
3 (indiscernible) -- helpful --

4 MR. LACKEY: Definitely. I don't think it's
5 actually that much of a lift for us since we do it for
6 internal purposes already.

7 CONTROLLER COHEN: All right. Thank you very
8 much. You know, in addition to the hearing that we're
9 going to have, today's presentation about the Strategic
10 Plan is not just an internal exercise, but it is an
11 outward exercise. It directly effects the public.
12 We're talking about -- the department is communicating
13 how it intends to serve Californians and how it plans to
14 protect taxpayers' resources, and above all else, uphold
15 the integrity of our tax system. So this is an
16 incredibly thoughtful and important process that your
17 team has undertaken.

18 Thank you very much. It's good to see a
19 snapshot into what we would like the future -- the
20 direction we would like to move in. I want to focus on
21 the last five years.

22 MR. LACKEY: Sure.

23 CONTROLLER COHEN: Particularly on lessons
24 learned, I guess I'll start off the question in the
25 space that, did we reach all or most or half of the

1 goals that we set out five years ago to accomplish?

2 MR. LACKEY: We accomplished many of them. The
3 one thing I actually just went and looked at was our
4 mid-term report that we actually produced. I'll say
5 there is one lesson learned is that I didn't find that
6 on our public website, so that is something for us to
7 look at is to actually --

8 CONTROLLER COHEN: I'm sorry, you could do what
9 on the public website?

10 MR. LACKEY: Our mid-term report.

11 CONTROLLER COHEN: Oh.

12 MR. LACKEY: So we actually do produce a
13 mid-term report with our accomplishments in terms of
14 support of the Strategic Plan. It gives us an
15 opportunity to, one, to recognize the efforts that are
16 going forward, but then also if there's a correction
17 that needs to be -- take place based on lessons learned.
18 So in terms of like accomplishments, yeah, I have some
19 like items that you are very familiar with. All of the
20 stimulus programs, that was a part -- in our Strategic
21 Plan. In the EITC, expanding marketing, that was in our
22 Strategic Plan.

23 CONTROLLER COHEN: That's successfully been
24 ex- -- executed on.

25 MR. LACKEY: Yeah. Also, date of exchange

1 agreements with data health care, so that's another
2 one -- right -- I think Susan Maples was here talking
3 about EITC recently, so one of the things that her team
4 and our technology areas, the focus op during this
5 Strategic Plan is where their opportunity is for -- to
6 share the right data with other departments so that they
7 can actually expand services including EITC.

8 Administrative dissolution, so I think this is
9 something that Member Gaines -- I think he's familiar
10 with -- so one of the pain points for businesses in
11 California are those that actually try to stand up,
12 especially this occurred during the pandemic, and then
13 basically their business model changed, something else
14 changed, and they weren't actually able to even open the
15 doors. But because they were actually created,
16 organized, or incorporated in California they now had
17 filing requirements with the Secretary of State and they
18 had filing requirements and minimum tax responsibilities
19 with FTB.

20 So one of the items that FTB looked at was,
21 hey, opportunities to make and streamline for business
22 for their dissolution, and administrative dissolution is
23 another accomplishment of FTB during this Strategic
24 Plan. I can kind of keep going through, if you'd like.

25 CONTROLLER COHEN: No.

1 MR. LACKEY: Okay.

2 CONTROLLER COHEN: I'm going -- I get the gist
3 of it. I have a couple more questions.

4 MR. LACKEY: Sure.

5 CONTROLLER COHEN: How long has the current
6 mission statement been in place?

7 MR. LACKEY: It's probably -- I'll be off on
8 this, but it's probably 15 years.

9 CONTROLLER COHEN: And so do you think that
10 it's still effective? Don't you think it might need a
11 facelift or something, like a refresh?

12 MR. LACKEY: That's something that we can take
13 back. I can tell you that in my time here there was
14 quite a bit of time spent on that in terms of just being
15 simplifying it and making to the point about what our
16 true goal like responsibility was for the -- for
17 California. But I do -- like we added the tag line
18 that's on there, which is still also very -- very
19 straightforward, but if there's a need for us to go back
20 and visit that, that's something that I can visit with
21 Selvi and we can have conversations on.

22 CONTROLLER COHEN: Okay. So please don't
23 misinterpret, I'm not posing the question in the sense
24 that I'm trying to direct you.

25 MR. LACKEY: Sure.

1 CONTROLLER COHEN: I just want critical thought
2 around it and just careful examination as to whether or
3 not if it's still relevant 15 years later, then we move
4 forward with it. But if it needs to be tweaked, then I
5 would imagine the committee would address it.

6 MR. LACKEY: The -- you know, it's -- I
7 understand. I'll just kind of leave it right there. I
8 think it's like one of the things that we were focusing
9 on as our responsibility to the State of California and
10 taxpayers.

11 CONTROLLER COHEN: Yeah.

12 MR. LACKEY: And really about funding those
13 services, and ensuring the taxpayers only pay the right
14 amount of tax. And, you know, when that mission
15 statement was created, that was really about the focus,
16 the dynamics, what was going on externally. Other
17 accomplishments, making sure that there are filing
18 enforcement program. We weren't actually sending
19 notices to people that we shouldn't. A lot of work
20 that's gone into that to make sure that we notice the
21 right people. So there's a lot of that history back
22 behind that --

23 CONTROLLER COHEN: Is there -- it's something
24 that probably wasn't as relevant 15 years ago as it is
25 today, but maybe a statement on maintaining the highest

1 security measures to keep people's information protected
2 and secure.

3 MR. LACKEY: Yeah. That is one of our
4 foundation --

5 CONTROLLER COHEN: Is it one?

6 MR. LACKEY: Yeah. It's one of our
7 foundational principles, and I know we focused on the
8 Strategic Plan today, but that is one of our
9 foundational principles. It's one of our pillars.

10 CONTROLLER COHEN: Okay. What is the
11 business -- what's -- what are the biggest or the
12 greatest impact areas that we should be focusing on
13 and/or prioritizing?

14 MR. LACKEY: You're going to hear one next,
15 which is modern -- excuse me, ma'am -- modernizing our
16 contact center platform. That really is the face of
17 FTB, and so there's so much opportunity there for us to
18 look at the different tools -- and I'm trying not to
19 jump too far into the team's presentation --

20 CONTROLLER COHEN: Okay.

21 MR. LACKEY: But that's one of the big ones
22 there. You did bring up the other, which is privacy and
23 security and the landscape external to FTB, as you are
24 very, very aware with bad actors is continuously moving.
25 So being front and center in terms of paying attention

1 to that, which we are, that's another challenge that we
2 face that we want to make sure that we keep our eye on,
3 and then the other is really kind of paying attention.
4 We understand that the department -- or the
5 department -- sorry. The state is, you know, marching
6 forward with a deficit in the next fiscal year, so how
7 can we make wise choices -- operational choices to be
8 able to efficiently get our jobs done and not ask for
9 things that we don't need from the state, funding
10 wise.

11 CONTROLLER COHEN: That sounds like a good
12 idea.

13 MR. LACKEY: Yes.

14 CONTROLLER COHEN: You second that? The
15 Department of Finance agrees.

16 MR. LACKEY: I'm trying to make sure I get
17 something for every board member.

18 CONTROLLER COHEN: You know what, let's go
19 ahead with the rest of the presentation. Is there
20 anyone else? I think -- is there anyone else on your
21 team that wants to speak (indiscernible) --

22 MR. LACKEY: No. No.

23 CONTROLLER COHEN: No?

24 MR. LACKEY: I was -- I just keep pointing to
25 the next agenda item, ma'am.

1 CONTROLLER COHEN: Okay. All right. Well,
2 let's see, are there any other questions? Anything
3 else?

4 All right. I'll take -- oh, I think I need to
5 take public comment on this, and then we will take a
6 motion up. Okay?

7 Is there any member of the public that is in
8 the auditorium today that would like to comment on the
9 Strategic Plan or anything about this item?

10 All right. Seeing none. Mr. Operator, could
11 you please check to see if there's anyone online that
12 would like to comment on this item?

13 OPERATOR: Yes. Thank you. Members of the
14 public on the phone lines, if you would like to place
15 yourself in queue for public comment, please press one
16 then zero at this time. And then we'll go to the line
17 ever Susan Shaw, representative of CSEA, please go
18 ahead.

19 Susan Shaw: Good afternoon. As he said, my
20 name is Susan Shaw. I'm representing the California
21 Society of Enrolled Agents. I'd like to thank the
22 members of the board, the taxpayer advocate and guest
23 for giving us the opportunity to provide input on the
24 matters that affect the tax community. This year CSEA
25 is focusing on the increased burden on the Franchise Tax

1 Board to administer collection and sharing of tax
2 information with other state entities --

3 CONTROLLER COHEN: Ma'am --

4 Susan Shaw: For non-tax --

5 CONTROLLER COHEN: Ma'am --

6 Susan Shaw: Yes?

7 CONTROLLER COHEN: I'm going to pause you
8 because we're not on that agenda just yet. Right now
9 we're talking about Item Number 2.

10 Susan Shaw: Oh, okay.

11 CONTROLLER COHEN: So I'm going to refer back
12 to you when we get to your item. Okay?

13 Susan Shaw: Okay.

14 CONTROLLER COHEN: All right. Sounds good.
15 We're making our way down the agenda. Okay. Still on
16 Item Number 2. Anyone -- Mr. Operator, could you check
17 to see if there's any other speakers that would like to
18 speak on Item Number 2?

19 OPERATOR: Yes. We will go to the line of
20 Christine Grab.

21 CHRISTINE GRAB: I believe that it is a
22 violation of our taxpayer rights to cut the time for the
23 annual Taxpayer Bill of Rights request from five minutes
24 down to three minutes with no prior notice. You should
25 have put that in the agenda if you intended to do that,

1 and failure to do so indicates that you are trying to
2 deny us our rights to speak.

3 CONTROLLER COHEN: Thank you. But that's
4 actually not what we're talking about right now, so we
5 will re-refer to you, too. We're on agenda Item Number
6 2, ladies and gentlemen. This is a Strategic Plan for
7 the Franchise Tax Board.

8 Mr. Operator, could you please find anyone that
9 just wants to talk on Item Number 2.

10 OPERATOR: There are no members of the public
11 queuing up at this time. Please continue.

12 CONTROLLER COHEN: Okay. Thank you. All
13 right. Well, there's no members of the public both
14 online or in the auditorium, so we are going to move on.
15 Is there a motion for this item?

16 MEMBER PERRAULT: So moved.

17 CONTROLLER COHEN: Oh, a motion made by
18 Ms. Member Perrault. Is there a second?

19 MEMBER GAINES: Second.

20 CONTROLLER COHEN: Second by Senator Gaines.
21 Can we take that up without objection?

22 MS. RUBALCAVA: Yes.

23 CONTROLLER COHEN: All right. Without
24 objection the motion passes unanimously. Thank you.

25 All right. Here we go, folks. We're moving

1 on. Item Number 3. Item Number 3 is the Contact Center
2 Platform Modernization Project. This project is
3 presented Etta SoRelle and Michael Banuelos.

4 Michael, where are you? There you are. Okay.
5 He's hitting up -- batting up second. This is an
6 informational item, and I'm looking forward to hearing
7 your presentation.

8 MS. SORELLE: Thank you. Good afternoon, Chair
9 Controller and Board Members. My name is Etta SoRelle,
10 and I'm a bureau director in the Technology Services
11 Division. I also serve as the technical director for
12 the Contact Center Platform Modernization Project.
13 Joining me is my colleague from Finance and Executive
14 Services Division, Michael Banuelos. With your
15 indulgence Chair Controller, we would like to set the
16 stage a little before our main presentation this
17 morning -- this afternoon to provide the Board some
18 context around FTB's customer service efforts. I'd like
19 to let me colleague Sheila Christianson from the Filing
20 Division share more.

21 MS. CHRISTIANSON: Good afternoon, Chair
22 Controller and Board Members. I'm Sheila Christianson,
23 and I am the director of the Filing Services Bureau, and
24 I am very happy to be with you here today. As you may
25 know, FTB has several contact centers throughout the

1 department designed to help taxpayers file their returns
2 and pay the appropriate amount of tax due. Our current
3 contact center system has served us well, and is based
4 primarily on phone calls that ask taxpayers to navigate
5 through a complex menu of options and prompts with many
6 ultimately needing to talk to a live person.

7 In a budgetary climate that always seems to
8 have needs out stripping revenue, we have incrementally
9 built upon that foundation over time by adding
10 enhancements to better serve our customers. Some of
11 these innovations over the years have included expanding
12 self-service, EDR2 is a prime example. If taxpayers can
13 get more basic information on their own, our agents can
14 help customers resolve the more complex issues.
15 Introducing authenticated and non-authenticated chats,
16 offering customers a call back instead of waiting on
17 hold, introducing how-to videos and having a more nimble
18 workforce that can move between workloads as conditions
19 warrant.

20 These steps and others have enabled us to
21 maintain a relatively stable level of service, even if
22 as the tax filing population has grown, stimulus
23 programs were implemented, and tax questions have become
24 more complex. Now that technology has grown by leaps
25 and bounds since we last invested in our foundation,

1 we're really excited to see what the future holds given
2 the information that Etta and Michael will be sharing
3 with you this afternoon. And with that, I'll turn it
4 back over to them to share some more details about the
5 project we're initiating. Thank you.

6 MS. SORELLE: Thank you, Sheila.

7 To continue our continuous improvement
8 momentum, we would like to share about an exciting
9 upcoming project for FTB; the modernization of our
10 contact center platform better known as CCP MOD. We
11 will share where we are starting from with our current
12 contact center platform, discuss modernization
13 opportunities, highlight key takeaways from our
14 contractor showcase, and conclude with our proposed next
15 steps.

16 Since July 2022, FTB served five and a half
17 million calls on average annually. FTB's current
18 contact center offers automated and live agent services
19 including chat with live agents. We also offer services
20 that include artificial intelligence, also known as AI
21 and features like speech recognition and enhanced
22 routing capabilities. Our contact center platform is
23 however approaching end of life in December 2028,
24 meaning the technology behind our current contact center
25 platform will be obsolete. This means if we do not

1 replace the contact center platform technology, FTB will
2 be out of technical compliance and have increased risks
3 jeopardizing our contact center availability to
4 taxpayers and our agents. With the end of life
5 approaching we have an exciting opportunity to also look
6 at how we can modernize our services and overall
7 experience for taxpayers.

8 One item is looking at how these modern
9 features can reduce wait times, which have averaged 13
10 minutes over the last three years as illustrated in this
11 chart. Next, we'll explore technical advancements that
12 will help us modernize our contact center platform and
13 elevate the services we provide to our taxpayers. To
14 help illustrate how advancement in contact center
15 technology can benefit taxpayers, I'd like to use the
16 transportation analogy.

17 Just like we have different ways of travel such
18 as trains or taxis, we have multiple ways to connect
19 with and serve taxpayers through our contact center
20 today. Think of a train ride. You can't just jump from
21 point A to point E. You have to follow the tracks and
22 stop at other stations along the way. That's a lot like
23 navigating a contact center menu where you press buttons
24 to reach the right place for assistance with something
25 like your refund status. Now think about a taxi. It's

1 more flexible than a train. You can go straight to
2 where you need to be, but once the demand spikes like on
3 April 15th, it's tough to find one. And just as taxi
4 drivers need training and good maps, our agents need the
5 right tools and knowledge to help taxpayers effectively.

6 Just as the transportation industry is evolving
7 with innovation like driverless cars, our contact center
8 operations are entering a new era of intelligent
9 automation. Imagine a virtual driver. A smart
10 automated system that can guide a traveler from point A
11 to point E, just like a traditional taxi with a human
12 driver. The key difference, virtual drivers can be
13 deployed rapidly and at scale. They don't require
14 individual training, and they're always ready to assist.
15 In the contact center world, this is similar to using
16 AI-powered virtual assistance that can efficiently and
17 consistently handle routine taxpayer inquiries through
18 features like modernized and improved call routing.

19 But automation doesn't replace our people. It
20 enhances them. Our contact center agents are the scale
21 of human drivers in this analogy. They're trained to
22 handle complex, sensitive, or high risk situations that
23 require empathy, discretion, and deep knowledge of our
24 policies and systems. The real power allies in how
25 these two work together. A virtual driver might begin

1 the journey, gathering information, verifying identity,
2 or answering common questions. And then seamlessly hand
3 off to a live agent when the situation becomes more
4 nuanced. Even better, the system can assist the
5 caller's needs up front and more efficiently. If it
6 detects a complex issue or a history of escalations, it
7 can route that call directly to an agent from the start.

8 When we combine these types of advancements
9 with optimization of our program and processes, our
10 upcoming modernization project will help us improve our
11 customer service like wait times. Let's look at how the
12 upcoming stages of the CCP MOD project that will help us
13 implement more advanced call contact center features
14 that improve our taxpayer and contact center agent
15 experiences.

16 At the heart of CCP MOD is a dedicated project
17 team carefully assembled to reflect voices and expertise
18 across FTB. Their shared commitment is build a contact
19 center that not only meets today's challenges, but also
20 helps us reach more taxpayers more effectively in the
21 years ahead. This is a multi-year project that will
22 follow the State of California Project Approval
23 Lifecycle or PAL, and leverage the budget change
24 proposal or BCP processes.

25 As you can see, the team has an important

1 journey ahead. Over the next few years, we'll complete
2 our discovery and analysis starting with PAL stage one
3 and go through PAL stage three, which will take us
4 through approximately 2026. Then formally launch of the
5 project in PAL stage four in fall of 2027, and most
6 exciting of all, implement our new contact center
7 platform starting in 2028, utilizing ways like our
8 successful crawl, walk, run approach.

9 At this time I'd like to invite Michael to
10 share more about what we've accomplished so far, and how
11 we are ensuring we identify the best solution for FTB
12 and taxpayers we serve in our early project stages.

13 MR. BANUELOS: Good afternoon, Chair Controller
14 and Board Members. As Etta mentioned, my name Michael
15 Banuelos, and I'm the director of the Franchise Tax
16 Board's Procurement Bureau. As you can see from the
17 deliverables that Etta laid out, we certainly have a lot
18 of work ahead of us, but we're up to the challenge.
19 Before getting into the details of upcoming activities,
20 we thought it would be informative to highlight our
21 recent work with contact center service contractors.

22 In November we held a series of virtual
23 presentations by contractors that hold mandatory
24 state-wide contracts for contact center services.
25 Through the Department of Technology, California Network

1 and Telecommunications Program, otherwise known as
2 CALNET. The CALNET program offers competitively bid
3 telecommunications contracts which are mandatory for
4 state departments to use. This is really an enterprise
5 project, so we decided to kick off the market research
6 phase by inviting the five CALNET contractors to give
7 high-level presentations to a diverse group of FTB
8 staff.

9 The FTB team included roughly 60 people,
10 including FTB's governance council, bureau directors,
11 managers and supervisors from areas on the front lines
12 serving constituents, technology staff, security staff,
13 and members of the project team. We ask the contractors
14 to cover general topics including an overview of their
15 companies, the types of solutions they offer, examples
16 of where they have implemented contact center solutions,
17 emerging technologies -- some of which Etta mentioned --
18 and experience with different types of implementations.
19 We learned a lot about the companies that hold the
20 CALNET contracts and the multiple solutions they offer.
21 We also learned of implementations they've done at
22 sister state agencies.

23 We only scratched the surface, but we really
24 found value in the meetings and felt they were a good
25 jumping off point for the project team to continue their

1 in-depth research. We received good feedback from our
2 internal staff, and we are also extremely appreciative
3 of the time and effort that the contractors put in to
4 meeting with us.

5 As Etta laid out, there are numerous
6 deliverables required to get the project approved and
7 underway in fiscal year '27-'28. Long term, there are
8 four stages to the project approval process, but I
9 really want to focus on what's coming up in the short
10 term. We're happy to say that we're getting close to
11 approval of stage one of the project which we anticipate
12 in early 2026. This allows the project team to focus on
13 stage two, which is a big lift. If stage one is a high
14 level introduction to the project, stage two is where it
15 really starts to get detailed.

16 Stage two is the alternative analysis stage,
17 which focuses on evaluating potential solutions to meet
18 the department's needs. This stage includes a multitude
19 of activities including identifying possible
20 alternatives, documenting baseline processes and
21 systems, conducting market research, documenting
22 requirements, documenting the project management
23 methodology, and completing financial analysis
24 worksheets to cost each alternative out.

25 Stages three and four of the project approval

1 process build on stage two and include the procurement
2 and other organizational readiness activities. For the
3 procurement, as I mentioned, state departments are
4 required to use the Department of Technology's CALNET
5 contracts, so within the project activities that we've
6 been discussing, we'll be developing an acquisition
7 strategy to select the solution and a contractor.
8 Equally important in parallel with working on stage two
9 of the project, we will also be working diligently on
10 the preparation of a budget change proposal for fiscal
11 year '27-'28.

12 In closing, I'd like to say that while FTB has
13 ongoing information technology projects in flight, this
14 is one that we're really excited about because of the
15 system's public facing nature. I'm involved in many of
16 these projects, and I have not seen this much internal
17 interest since our Enterprise Data Revenue two project.
18 This system last saw significant refresh in 2017, which
19 was quite some time ago, and we want to take advantage
20 of this opportunity to modernize our services and the
21 overall experience for our constituents, as well as our
22 internal staff.

23 Etta and I would like to thank you for your
24 time today. We do know it's early, but we felt this
25 project was important enough to provide you an update.

1 At this time, Etta, Sheila, and I would be happy to
2 answer any questions you may have.

3 CONTROLLER COHEN: It's never too early to
4 start talking about a BCP.

5 Thank you very much for your presentation.

6 MR. BANUELOS: Sure.

7 Colleagues, are there any questions? Of
8 course. I'm going to defer to the Department of
9 Finance, none other than Michelle Perrault.

10 MEMBER PERRAULT: Just a couple of questions,
11 yes, appreciate the heads up. Finance always
12 appreciates things early and sometimes often -- always
13 often. But a couple of questions and perhaps more
14 just -- you may not have the answers now given where you
15 are sort of in the process, but is it fair to --

16 Well, first question, you said the last refresh
17 was in 2017, and this is -- is this considered a
18 refresh, or are we actually standing up a whole new
19 system this time? Is this like a complete change?

20 MR. BANUELOS: I would say -- and I'll defer to
21 Etta on this -- I would say -- I would call it standing
22 up a whole new system, so technically we're going from
23 an on-premises solutions where we have the hardware and
24 software.

25 MEMBER PERRAULT: Yeah. Yes. For the cloud?

1 MR. BANUELOS: To the cloud.

2 MEMBER PERRAULT: Okay.

3 MR. BANUELOS: Yes, ma'am.

4 MEMBER PERRAULT: Great.

5 MR. BANUELOS: Is that correct, Etta?

6 MS. SORELLE: Yes.

7 MR. BANUELOS: Okay.

8 MEMBER PERRAULT: Which I get. You know, we
9 see a lot of this go into the cloud as preferred for its
10 nimbleness, and obviously there's been different cost
11 factors by going that way and sometimes in savings. So
12 I obviously have to just put forward a question around
13 founding and you may not have that answer now because it
14 sounds like that you are still in stage one, moving to
15 stage two so I think a lot of those numbers get firmed
16 up in stage two of PAL, but is it fair to assume that
17 the funding will be general fund requested? General
18 fund dollars?

19 MR. BANUELOS: I don't know the answer to that
20 question, but we can get back to you. I'm assuming it
21 is, but we would have to get back to you.

22 MEMBER PERRAULT: I'm going to assume it is,
23 too. Okay. Thank you. I'm going to assume it is.

24 And then the only other thing is, I kind of --
25 I mean I really appreciate the overview and the layout

1 of sort the plan from now until really 2029. There's
2 not a lot of wiggle room in this timing, it doesn't
3 seem, so I guess my question -- and, again, if you don't
4 know the answer now, I'd love a follow up -- you know,
5 this is probably your ideal; right? Your ideal time
6 frame. Everything goes smoothly. PAL runs like it's
7 supposed to. BCP gets funded the way you want it to.
8 All the things are wonderful, but should any or one or
9 any of those have a hiccup of some sort -- I know you
10 said that it's end of life at 2028. I think that during
11 my briefing you guys indicated that doesn't -- I mean
12 it's not just going to shut off. Our customers are
13 still going to have, you know, a way to get a hold of
14 us, but have you guys thought about a plan for either
15 overrun on time or funding or both at this point just
16 because -- again, I'm just -- it feels a little tight is
17 all.

18 MR. BANUELOS: I haven't been involved in any
19 of those meetings, but what I would say -- I think if we
20 look on that chart we see the implementation I think
21 starting in probably third quarter of 2027, so when we
22 had those meetings with the contractors that hold those
23 contracts.

24 MEMBER PERRAULT: Right.

25 MR. BANUELOS: We started asking them about

1 experience -- you know, one of the top (indiscernible)
2 said, was there experience with implementations. If I
3 recall correctly, some of them were as short as four
4 months. Some of them were as long as 12 months.

5 MEMBER PERRAULT: Okay.

6 MR. BANUELOS: So it doesn't seem out of the
7 range there that there might be -- it might be
8 shortened --

9 MEMBER PERRAULT: Okay.

10 MR. BANUELOS: -- on the implementation side.
11 We don't exactly know yet, and that's part of what the
12 project team is looking at right now. It will be
13 determined by what type of implementation we're going to
14 have, so there could be a little bit of wiggle room
15 there. We're just not sure yet.

16 MEMBER PERRAULT: Okay. I appreciate it. I
17 just -- you know, we see a lot of CDT projects that go
18 through PAL, and oftentimes the timing as we start out
19 doesn't always end the way we think it will, so kind of
20 thinking about alternatives and making sure there's
21 flexibility in there. I think it's important because I
22 think at the end of the day making sure that we have the
23 same level of customer service, you know, moving forward
24 even if -- if there's some transition time is going to
25 be key, right, so I just -- just --

1 MR. BANUELOS: Yeah.

2 MEMBER PERRAULT: Thank you.

3 MR. BANUELOS: We're aware that this is one
4 that we really need to be on time.

5 MEMBER PERRAULT: Got it.

6 MR. BANUELOS: We can't -- not have a call
7 center or contact center.

8 MEMBER PERRAULT: Right. Thank you.

9 CONTROLLER COHEN: All right. Thank you.

10 Do you have anything? Please, go ahead.

11 MEMBER GAINES: Thank you very much for your
12 presentation, and I just -- I'm just looking at the
13 average wait time that you presented here. And I was
14 wondering -- okay. For '25-'26, so are we going on a
15 fiscal July 1 year? Is that what you are showing here
16 on your presentation for average wait time?

17 MS. CHRISTIANSON: Yes. On the slide you saw,
18 it is fiscal-year basis.

19 MEMBER GAINES: Okay. So that's six months
20 that we're looking at for '25-'26.

21 MS. CHRISTIANSON: Correct.

22 MEMBER GAINES: (Indiscernible) -- okay. And
23 can you tell me what happened the year before? I'm just
24 looking at the trend line.

25 MS. CHRISTIANSON: Sure.

1 MEMBER GAINES: It's improved year to -- yeah.
2 Fiscal-year-to date.

3 MS. CHRISTIANSON: Yes. Yeah. So wait time
4 can be impacted by a variety of different factors
5 including overall call demand, staffing, taxpayer
6 behavior, which sometimes can be unpredictable, as far
7 as call patterns, or if there's any sort of significant
8 event that may have occurred. So looking back at that
9 year, I would -- between the two years, we did have some
10 more challenges with staffing, as far as recruitment and
11 retention. Fortunately, we are turning the corner
12 there, but even though the wait time increased by a
13 minute, our agents did answer 75,000 more calls.

14 MEMBER GAINES: Okay.

15 MS. CHRISTIANSON: And so, you know, on the one
16 hand, yes, it was a longer wait, but we were able to
17 serve 75,000 more taxpayers, so we were pleased with
18 that. But so far this fiscal year we are heading in the
19 right direction where our average wait time is at about
20 ten minutes, 15 seconds so far this year.

21 MEMBER GAINES: Oh, great. Very good. Now, do
22 you think the decline from year-to-date might be the
23 result of technology? I'm wondering if people are going
24 online and getting their answer and therefore not having
25 to call in?

1 MS. CHRISTIANSON: Well, we do find that our
2 taxpayers -- they're choosing various methods to
3 interact with FTB. Yes. They're using -- we've
4 introduced many new self-services in the past couple
5 years through EDR2. We have some customers that are
6 chatting with us rather than calling. Overall demand --

7 MEMBER GAINES: Those numbers are up?

8 MS. CHRISTIANSON: I'd have to --

9 MEMBER GAINES: I'm just curious.

10 MS. CHRISTIANSON: -- double check for chat.
11 For year-to-date -- at least as far as -- for this
12 fiscal year, we're looking at -- it seem -- well,
13 between -- I'm going to go back to '24-'25, and the year
14 prior -- we did receive roughly about 50,000 more chats
15 in the 2024-2025 fiscal year compared to the prior
16 year.

17 MEMBER GAINES: Okay.

18 MS. CHRISTIANSON: So we have seen a trend in
19 more -- as customers have become more acclimated to
20 using online services. We have seen an increased in our
21 chat services.

22 MEMBER GAINES: And is that chat -- is that AI?
23 The chat?

24 MS. CHRISTIANSON: There's very limited AI, and
25 maybe Etta can speak to that a little bit more. But we

1 have two chat channels. We have our general chat where
2 taxpayers can get service on non-specific --
3 account-specific questions. We also have my FTB chat
4 where they do have to authenticate because they want to
5 get more account specific questions answered. These are
6 not chatbots. We have live agents that are assisting
7 our customers behind the scenes.

8 MEMBER GAINES: Okay.

9 MS. CHRISTIANSON: There may be some limited AI
10 as far as routing to our agents.

11 MR. BANUELOS: Sure.

12 MS. CHRISTIANSON: But it is live agents that
13 are answering these chats.

14 MEMBER GAINES: Okay. Part of my concern is
15 that the -- we want to make sure that any sort of
16 contact with a taxpayer, that there is a means -- you
17 need to assist them that's empathetic.

18 MS. CHRISTIANSON: Absolutely.

19 MEMBER GAINES: So as I get older, I need more
20 empathy, right, when it deals with technology. And so
21 if I get stuck somewhere, I always would like to know is
22 there another option? Is there someone I can talk to.

23 CONTROLLER COHEN: Yeah. And you have a lot of
24 grandchildren, too that will probably be coming of age
25 soon.

1 MEMBER GAINES: They can help. Yeah. That's
2 right. So that's just the concern that I would have,
3 and I'm sure he'll be vetting all that out in terms of
4 how AI would be implemented, especially in the new
5 system. And then just finally, if you can, maybe, share
6 with me -- you know, you talked about -- one of you --
7 I'm not sure if it was you -- talked about increased
8 risk that, you know, if -- if you don't get it done
9 within the time line, there's increase risk so I'm
10 trying to just in my mind what would be the worst thing
11 that can happen through this process and then how would
12 you avoid that?

13 MS. SORELLE: I don't think we would want our
14 current contact center platform to go beyond the end of
15 life. The technical risk I was kind of generalizing in
16 my presentation has to do with, once something goes end
17 of life, it doesn't get patched. You know, like maybe
18 you have an old computer at home that's got like Windows
19 10 on it, right. You get that nudge from Microsoft.
20 Sometimes you get a patch. Always at the wrong time,
21 you know, to reboot and take a couple hours away from
22 your ability to use your computer. It's similar to
23 that. When our technologies go end of life, right, the
24 vendors and manufacturers, they have to focus on their
25 new versions or their new products which many of them

1 are cloud based, so they have to, you know, put their
2 resources to their newer projects and not able to
3 provide patching. So it could be more of an internal
4 operational risk, but we wouldn't want to sacrifice
5 access to taxpayers or our data.

6 MEMBER GAINES: Excellent. Very good. Thank
7 you. Good presentation. Appreciate it.

8 CONTROLLER COHEN: Well, I had questions about
9 the wait time, but it sounds like Senator Gaines was on
10 top of that. I wanted to know how will the
11 modernization impact taxpayers who call in about -- who
12 are calling about complex issues? Is this something
13 that an AI or agentic personality is going to be
14 handling or, you know, stepping through until a person
15 comes online? And this is specifically related to
16 complex tax issues that just simply can't be resolved by
17 self-service or by automation.

18 MS. SORELLE: That's a great question, and kind
19 of like in the analogy where we talked about
20 complementing our virtual drivers and our human agents
21 or human drivers, right. In complex situations -- and
22 this is also outlined in the CDT's generative AI policy,
23 right -- is ensuring that there's a human touch,
24 especially in complex processes. We're not looking to
25 necessarily replace our complex situations with full

1 automation to the point that you brought up and Member
2 Gaines, in that you need to have that empathy and
3 precision you have to have in an agent to be able to
4 analyze all the factors in that complex situation,
5 right. So maybe from what we've learned -- and this is
6 still early in our discovery, so I can't say exactly how
7 we're going to implement -- but just from our early
8 analysis and learning, you might start with an agentive
9 agent who is, you know, just simply when you call, how
10 can I help you today, right. And then once we either
11 look at prior call history or patterns or they start
12 asking their questions, we know to route them to an
13 agent. We're looking more for a solution so that the
14 agents are handling those more complex situations and
15 hoping to use self-services to help with the more
16 straightforward matters.

17 CONTROLLER COHEN: Okay. I don't have any
18 other questions. We're going to keep moving on. Thank
19 you very much for your presentation.

20 MS. SORELLE: Thank you.

21 CONTROLLER COHEN: Look forward to hearing more
22 updates.

23 All right, folks. Let's go ahead and go to
24 public comment on this item. This is item -- again,
25 Item Number 4 -- Item Number 3. If you are -- if you

1 are in the chamber and would like to speak on Item
2 Number 3, would you like to come up to the podium? All
3 right. Seeing none, Operator, please ask if anyone
4 online would like to comment on Item 3.

5 OPERATOR: Thank you. Members of the public on
6 the phone lines, if you would like to place yourself in
7 queue for public comment. As a reminder, please press
8 one and then zero at this time. One then zero. And
9 we'll go to the line of Christine Grab. Please go
10 ahead.

11 CONTROLLER COHEN: Nope. Nope. Nope. We're
12 not ready for Christine Grab, unless she is clear that
13 she's speaking on Item Number 3. Ms. Grab?

14 OPERATOR: Would you like me to open her line?
15 Okay.

16 CONTROLLER COHEN: All right. You can speak on
17 Item 3.

18 CHRISTINE GRAB: The disclosure -- the
19 Disclosure Department states that FTB hangs up on 20
20 percent of people who call the collections line --
21 personal collections and 25 percent of people who call
22 the business collections line, what is FTB going to do
23 to stop this hang up problem? My other question is, the
24 business collections line almost always has a two-hour
25 plus wait. It's usually three hours, whereas the

1 personal collection line is all over the map. This
2 morning when I checked, personal collections was six
3 minutes and the business line was six -- sorry -- was
4 three hours. What is FTB going to do to even that out
5 so that the business people can get through to get
6 issues resolved?

7 CONTROLLER COHEN: Thank you. Next speaker.

8 OPERATOR: There are no other members of the
9 public queuing up at this time. Please continue.

10 CONTROLLER COHEN: All right. Thank you very
11 much. We're going to -- I'm sorry. Was that an action
12 item? No, I don't think so. We're going to go to Item
13 Number 4, which is a regulation matter regarding the
14 2026 Rulemaking Calendar, and this is presented by Red
15 Gobuty. This is a board approval item.

16 Go ahead, Mr. Gobuty.

17 MR. GOBUTY: Thank you very much and good day
18 to your Controller Cohen and Board Members. My name is
19 Red Gobuty. I'm an attorney IV with the FTB Legal
20 Divisions Technical Resources Bureau as required by
21 Government Code Section 11017.6, FTB delivers a board
22 approved Rulemaking Calendar to the Office of
23 Administrative Law annually. The calendar provides
24 required information on regulatory items FTB plans to
25 propose as part of the rulemaking process, and the 2026

1 Rulemaking Calendar in your materials outlines those
2 regulation projects FTB staff plans to work on during
3 2026 and provides updates on each project's current
4 status.

5 This year we have a new item on the calendar
6 which is identified on the first page of the materials,
7 and this project would potentially add a new regulation
8 at Section 18622.5, to title 18 of the California Code
9 of Regulations. It will explore adding a de minimis
10 rule applicable to partner reporting and payment
11 requirements resulting from a partnership level audit
12 concluded by the IRS. As in the past, the Board's
13 approval of any items identified on the calendar for
14 which staff have not previously received Board approval
15 to begin the informal regulatory process serves as an
16 explicit approval by the Board to allow FTB staff to
17 begin the informal regulatory process and hold
18 interested parties meetings.

19 And at this time, I would respectfully ask for
20 your approval of the 2026 Rulemaking Calendar.

21 CONTROLLER COHEN: All right. Thank you very
22 much for that brief presentation, Mr. Gobuty. Let me
23 turn to my colleagues to see if there's any questions.

24 Anyone have any questions? Comments?

25 MEMBER GAINES: I do, if I could.

1 CONTROLLER COHEN: Senator Gaines.

2 MEMBER GAINES: Yeah. Can you expand on the de
3 minimis issue?

4 MR. GOBUTY: Sure. I would be happy to.

5 MEMBER GAINES: Yeah. What would that --
6 what's that going to do? What is the proposal?

7 MR. GOBUTY: Thank you for your question, and I
8 can provide a little bit of information at a high level.
9 Hopefully not in too much granularity, but I do have my
10 subject matter expert here if I don't give enough
11 information, and he can provide more.

12 Pursuant to California Revenue and Taxation
13 Code Section 18622.5, which was enacted in 2018, if any
14 items shown -- excuse me -- required to be shown on a
15 Federal partnership return is changed or corrected by
16 the IRS, and the partnership is issued an adjustment
17 under Section 6225 of the Internal Revenue Code or makes
18 a federal election for alternative payment with the IRS
19 as part of the partnership level audit, the partnership
20 shall report each change or correction to the Franchise
21 Tax Board for the reviewed year within six months after
22 the date of each final federal determination.

23 Pursuant to Subdivision J of that statute, in
24 order to reduce the administrative burden on taxpayers
25 that may be imposed by additional filings and payments

1 that do not contribute materially to revenue, the FTB
2 was required to convene a meeting of interested parties
3 for the purpose of determining appropriate de minimis
4 partner reporting and payment requirements resulting
5 from that partnership level audit concluded by the IRS.
6 And that meeting was held by staff July 14, 2020, and
7 following that meeting, staff reviewed and considered
8 comments and now intends to further explore the creation
9 of regulatory de minimis rule with the Board's
10 permission.

11 Was that enough information, or would you like
12 to speak --

13 MEMBER GAINES: Yeah. I'm not sure I
14 understood that.

15 MR. GOBUTY: I think probably the best thing to
16 do is to invite Michael up, and he could probably do a
17 better job. He's entrenched in substantive area on this
18 project. Michael.

19 MEMBER GAINES: Yeah. That's great. Thank
20 you. And --

21 MR. HOFELING: And while he comes up, I can
22 give you a very, very broad understanding, so as part of
23 the -- there's a federal adjustment for a partnership.
24 Each one of the partners make the adjustment on their
25 own returns, and as you can imagine, sometimes there may

1 be one large partnership adjustment, but if you have
2 multiple partners, that's a lot a little partnership
3 adjustments. And so the idea was -- the legislature's
4 idea was to come up with a de minimis amount so that
5 way, let's say, the per partner adjustment is five
6 dollars.

7 MEMBER GAINES: Yes.

8 MR. HOFELING: It may be really cost
9 prohibitive for everybody to file a new return for the
10 five dollar adjustment, so this allows us to look into
11 to see what is the right de minimis amount before we
12 require an adjustment.

13 MEMBER GAINES: Yeah. So it's a dollar amount
14 that you are setting?

15 MR. GOBUTY: Correct.

16 MEMBER GAINES: Which you wouldn't have to send
17 in a check?

18 MR. GOBUTY: Correct.

19 MEMBER GAINES: Yeah. Okay. That's great.
20 Thank you very much. Appreciate it.

21 CONTROLLER COHEN: All right. Mr. Red, where
22 are you from?

23 MR. GOBUTY: I'm a Californian through and
24 through.

25 CONTROLLER COHEN: Judging by the laughter, I

1 don't know if you're convincing people of that, but it's
2 good to hear your voice. Alright. Nope? Okay.

3 MEMBER GAINES: He might be from El Dorado
4 County. That's where I reside.

5 CONTROLLER COHEN: Is that some of your twang
6 you have?

7 MEMBER GAINES: Yes.

8 CONTROLLER COHEN: Okay. Thank you very much.
9 I have no other questions, so we're going to go ahead
10 and go to public comment. Anyone in the chamber would
11 like to comment? Any personal questions for Mr. Red?
12 Nope. Okay.

13 Let's go online. Mr. Operator, could you
14 please check online and find if there's any public
15 commenters that would like to comment on Item 4. Just
16 Item 4, which is the regulation matter.

17 OPERATOR: Thank you. Members of the public on
18 the phone lines, if you would like to place yourself in
19 queue for public comment, please press one zero at this
20 time. One followed by zero.

21 And no members of the public are queuing up at
22 this time. Please continue.

23 CONTROLLER COHEN: All right. Thank you very
24 much. This is a board approval item. Is there a
25 motion?

1 MEMBER PERRAULT: So moved.

2 CONTROLLER COHEN: All right.

3 MEMBER GAINES: Second.

4 CONTROLLER COHEN: Motion made by Member
5 Perrault. Second by Senator Gaines. We can take that
6 without objection. All right. Without objection, this
7 motion passes.

8 We're going to move on to the next item. Let
9 me just do a check. Anybody need a bathroom break, five
10 minutes, or should we power through? Four minutes?
11 Okay. We're going to take a five-minute -- we're going
12 to take a five-minute break -- recess, and then we're
13 going to get into Item Number 5. Thanks, ladies and
14 gentlemen.

15 (Recess was taken.)

16 All right. Let's come back into session.
17 We're going to call up Item 5, the highlight of the day,
18 not to take away from items one through four. Okay.
19 Wait. Hold on a minute. I got it.

20 All right. Next item is Item 5, which is the
21 Annual Taxpayers' Bill of Rights Hearing. And as you all
22 know, this is a time set for the Board's Annual Taxpayers'
23 Bill of Rights as required by Section 21006 of the
24 Revenue and Tax Code. The purpose of this hearing is to
25 allow taxpayers and practitioners an opportunity to

1 present directly to the Board any proposals they may
2 have for changes in existing Income State Tax Law.

3 Now, we all know that the Franchise Tax Board
4 staff is available to respond to member's questions
5 which may be raised as a result of taxpayer proposals.
6 Present here are Ms. Selvi Stanislaus, our Executive
7 Director. Mr. Shane Hofeling, chief counsel. And Erin,
8 I think this might be your very first hearing.
9 Congratulations. This is Erin Dendorfer. Dendorfer.
10 Dendorfer. Okay. Who is a deputy chief counsel, and
11 Angela Jones. Where are you, Angela? There you are at
12 the podium. Angela Jones is our Taxpayer Rights
13 Advocate, whom I met in the ladies room.

14 All right. Staff will analyze the fiscal and
15 administrative consequences of the proposals and will
16 provide responses at a later time. Angela has a few
17 introductory remarks, and then we will open up for
18 public comment. And as -- just as a housekeeping note,
19 if there are any individuals that need electronic
20 switching system, ESS, assistance they can call (800)
21 883-5910, and when prompted, please press number five.
22 And the following additional prompts.

23 So -- and also want to acknowledge that public
24 comment will be three minutes, as I said earlier in the
25 beginning of this meeting. So Ms. Angela Jones, the

1 floor is yours. Thank you.

2 MS. JONES: Good afternoon. And thank you,
3 Chair Controller and Board Members. It is my privilege
4 to open the Annual Taxpayer's Bill of Rights Hearing.
5 This hearing continues to serve as an important forum
6 for taxpayers, tax professionals, and stakeholders to
7 voice concerns, share experiences and provide
8 recommendations directly to the Franchise Tax Board.

9 The Taxpayers' Rights Advocate's Office serves to
10 assist when FTB's normal channels are unsuccessful. Our
11 advocacy extends beyond resolving individual cases. We
12 also identify and evaluate systemic issues. Those
13 issues that may affect multiple taxpayers, involve FTB
14 systems, policies or procedures, reduce burdens and
15 improve essential taxpayer services.

16 Systemic issue advocacy means we
17 collaboratively work with FTB program areas to analyze
18 the root causes and recommend, develop, and implement
19 solutions to enhance services provided to California
20 taxpayers and tax professionals. Last year the
21 advocates office partnered with FTB's Technology Service
22 Division to optimize the Systemic Issue Management
23 System. The system is our online portal located on
24 FTB's website where taxpayers and tax professionals can
25 report potential systemic issues. It is our structured

1 process to identify, track, evaluate, and resolve
2 reoccurring taxpayer and tax professional issues.

3 The previous system was an anonymous reporting
4 system. Anonymity did not yield submissions that we
5 could evaluate. The new system requires submitters to
6 securely provide identifying information such as a
7 social security number or FTB ID number, contact
8 information, and a detailed issue description. This
9 enables the advocates office to receive tangible
10 information to research and evaluate. This year we
11 averaged approximately 14 submissions per month. We
12 carefully evaluate the merits of each submission. I am
13 happy to highlight a few that we partnered with FTB
14 program areas to resolve. Revised form 541, California
15 Fiduciary Income Tax Return. Revised forms 5012 and
16 5013 to improve business entity payment processing,
17 improve the web pay confirmation e-mail, and assisted
18 with a software vendor E-file transmission issue.

19 As we transition into receiving comments and
20 concerns, I thank you in advance as the issues you raise
21 will help us to improve FTB's processes and services.
22 Thank you, Selvi and your division chiefs for your
23 support throughout the year. Thank you, Chair
24 Controller, Deputy Controller Emran, and Board Members
25 for your commitment to the Taxpayer Bill of Rights

1 hearing. And last, but certainly not least, I'd like to
2 thank my team for educating and advocating for all
3 California taxpayers and tax professionals. Thank you,
4 Chair Controller.

5 CONTROLLER COHEN: Thank you, Angela. Thank
6 you, Angela Jones. Appreciate you. All right. Are you
7 guys ready? Let the games begin. We'll start with
8 anyone in the chamber. Anyone here in the auditorium
9 that would like to offer public comment? Please come to
10 the microphone. Good afternoon. It's just a courtesy
11 that we ask that you state your name for the record.

12 GINA RODRIQUEZ: Good afternoon. My name is
13 Gina Rodriguez. I'm a principal at Ryan LLC in their
14 advocacy services practice. Nice to see all of you.

15 CONTROLLER COHEN: Thank you.

16 GINA RODRIQUEZ: And Madam Chair, this is one
17 of my favorite meetings of the year, as well, because I
18 love hearing about recommendations to improve tax
19 administration. I've been coming since the first child
20 was born of mine, and that was more than 34 years ago,
21 so happy to be here again for all these decades.

22 Angela, thank you for all you do and thank you
23 for explaining all the responsibilities you have.
24 Keeping in mind, the advocates responsibilities,
25 statutory and otherwise, we offer the five following

1 recommendations to help strengthen taxpayer protection
2 and enhance the efficiency and transparency of FTB tax
3 administration.

4 Number one is to conform to the IRS automatic
5 consent procedures for changes to R and D methods.
6 Number two, involve FTB legal counsel before Audit
7 Division denies certain refund claims. Number three,
8 provide website instructions on how to order a
9 transcript. Number four, simplify the power of
10 attorney, what we call POA, submission process. And
11 number five, clarify the POA instructions, and I
12 discussed this one last year at the 2024 Bill of Rights
13 hearing. I'm not going to go through all five of them
14 due to the time limits, but I want to address at least
15 the first two if I can. In conforming to the automatic
16 content -- consent procedures, right now to revoke a
17 taxpayers' election of the R and D credit method made in
18 a prior tax year, the FTB really should conform to the
19 IRS procedures. They're automatic consents. You do it
20 at the time the tax return is filed. You do not have to
21 submit a request and obtain FTB's consent ahead of time.

22 The FTB's practice right now -- it's a very
23 burdensome requirement. It's unnecessary compliance,
24 and it really serves no policy purpose particularly
25 given the fact that the FTB's processing system already

1 captures and tracks R and D credits. They know when
2 there is a method change. They know what -- how much
3 the taxpayer is claiming. There are -- on the credit
4 form itself there are 50 lines, 29 of them are -- have
5 key (indiscernible) simple, so they're captured lines.
6 They go straight into the FTB's system.

7 Further, the FTB's procedure is not in line
8 with the goal of the R and D credit, which is really to
9 incentive, not penalize innovation and R and D activity.
10 That allows taxpayers to adjust for innovation cycles.
11 The FTB's existing procedure -- and I'm telling you this
12 is how practitioners believe. This is a known audit
13 trap. It needs to be corrected. It's a significant
14 compliance burden, and one that really pre-existed at
15 federal level, congress identified it more than two
16 decades ago and fixed system -- fixed the problem
17 through a treasury regulation. We can do the same.

18 Conforming to the federal procedure really is
19 the very type of recommendation that the FTB advocate
20 should make and as it is a reoccurring problem. In
21 fact, there was even an OTA case recently that came out
22 on this very issue. So that's the first one.

23 The second one, technically, is involving legal
24 counsel before Audit Division, and I don't think we need
25 legislation for this, but what happens is, we file a

1 refund claim. It gets audited. We work with audit
2 team. Sometimes the others miss-apply the law or don't
3 understand the definitions or they need clarity, they
4 may seek counsel for help, but the taxpayers are left
5 out of that process. And our recommendation is to
6 include taxpayers in that process, and we actually might
7 see fewer appeals get filed if we have an attorney set
8 some eyes on that refund claim before the auditor denies
9 it. Once the auditor denies, the only option is go to
10 the OTA to file an appeal with the OTA.

11 MS. RUBALCAVA: Excuse me, Controller Cohen.
12 Time has expired.

13 CONTROLLER COHEN: Oh, thank you very much.

14 GINA RODRIQUEZ: Thank you. I will wrap it up.
15 I do want to point out I did -- I have a submission.
16 The FTB withdrawal rates are very high. They're at 511
17 right now. That means taxpayers filed all those
18 appeals. FTB withdrew.

19 CONTROLLER COHEN: Thank you.

20 GINA RODRIQUEZ: Happy to answer any
21 questions.

22 CONTROLLER COHEN: I don't think we have any
23 questions. We're going -- oh, there is a question.
24 Hold on. Yeah, Senator?

25 MEMBER GAINES: One that you didn't cover and

1 that is how to order a transcript.

2 GINA RODRIQUEZ: Yeah. Yeah.

3 CONTROLLER COHEN: That's the one that struck
4 me, too.

5 GINA RODRIQUEZ: Yeah. It's interesting. If
6 you do order a transcript, search on FTB's website you
7 get about 160 hits. None of them are relevant. It's
8 very hard to figure out how to order a transcript. IRS,
9 I get 115 hits. They're all very relevant. I can order
10 a transcript. Now, we have My FTB on the FTB side.
11 That's not the same as a transcript. It's very limited
12 in the amount of information you can get, so we would
13 really like to see (indiscernible) --

14 MEMBER GAINES: Yeah. I think -- don't
15 employers require that?

16 GINA RODRIQUEZ: Some employers require you to
17 get a transcript.

18 MEMBER GAINES: Yeah.

19 GINA RODRIQUEZ: Some lenders do. Certainly.

20 MEMBER GAINES: Yeah. I think my daughter had
21 to provide one for a job recently, so that's why it came
22 to mind. And she says -- where -- who do I call?

23 GINA RODRIQUEZ: How do I do this?

24 MEMBER GAINES: I said we got to call our tax
25 guy.

1 GINA RODRIQUEZ: Well, if she finds out, maybe
2 she can let the rest of us know.

3 MEMBER GAINES: But -- yeah. If we can -- what
4 you are saying is if we can simplify here at FTB --

5 GINA RODRIQUEZ: Yeah. Just give us an online
6 request form to order a transcript. I don't know if
7 there's a technological reason that we can't do that. I
8 don't know the circumstances.

9 MEMBER GAINES: Okay. Great.

10 GINA RODRIQUEZ: Thank you. Thank you.

11 CONTROLLER COHEN: All right. Next speaker,
12 come on down.

13 JEISSY LEE: Good afternoon, everyone. My name
14 is Jeissy Lee, and I am with the California taxpayers'
15 Association. Thank you so much for convening this
16 hearing today and for the opportunity to speak in front
17 of you today. We appreciate the FTB's willingness to
18 consider these comments in your commitment to engaging
19 with the taxpayer community. Over the past few years,
20 the FTB has provided limited guidance to taxpayers
21 through regulations and rulings.

22 For example, SB 167 introduces significant tax
23 changes for businesses and individual taxpayers. Other
24 than a brief section in the tax news, the FTB has not
25 provided guidance to taxpayers on how SB 167 may affect

1 them and how it might interact with its existing
2 statutes. Additionally, there are consistent delays in
3 addressing petitions for alternative apportionment.
4 Particularly when the petition is filed a taxpayer. If
5 taxpayers are planning to appeal an apportionment
6 method, they should be able to trust that the FTB is
7 going to address their appeal in an appropriately timely
8 manner. However, the unreasonably long delays in
9 reviewing these petitions have become a big concern for
10 taxpayers, perhaps making this process more transparent
11 to taxpayers will help the community under delays and
12 help keep the FTB accountable to taxpayers. Taxpayers
13 would also greatly benefit from the FTB's commitment to
14 transparency and other aspects. For example, clearly
15 stating whether the date on notices refers to the
16 beginning or the end a taxable year would save both
17 taxpayers and the FTB's significant time and confusion.

18 These are just some of the issues that
19 taxpayers are concerned about with the FTB, but because
20 of the limited time, we'll submit a more detailed
21 written comment letter for your review. Thank you for
22 your time.

23 CONTROLLER COHEN: Thank you very much.
24 Senator Gaines had a question.

25 MEMBER GAINES: I'm just curious, in terms of

1 this process so do we follow up on all these
2 inquiries -- these questions?

3 MR. HOFELING: Yes, sir. Angela and her team
4 weren't -- (indiscernible) providing responses to all
5 these in like February?

6 MS. JONES: February 3rd we will work with all
7 the appropriate FTB program areas to develop responses,
8 and we will respond in writing and post the responses on
9 our public website.

10 CONTROLLER COHEN: Could you also make sure
11 that the Board gets a copy?

12 MS. JONES: Absolutely. And also, the current
13 speaker, I haven't had pleasure of meeting you, so I
14 don't have your contact information. Can you please
15 send your written inquiry directly to my attention,
16 please?

17 JEISSY LEE: Yeah.

18 MS. JONES: Thank you.

19 JEISSY LEE: Thank you.

20 CONTROLLER COHEN: All right. Thank you very
21 much. Is there anyone else here in the auditorium that
22 would like to speak. Come on.

23 All right. Here we go. Online. Mr. Operator,
24 let's open up the phone lines. It's now time to listen
25 to the taxpayers that have been calling in earlier.

1 UNIDENTIFIED SPEAKER: Thank you.

2 CONTROLLER COHEN: We're at that special moment
3 for Item Number 5. Please see if there's any public
4 comment.

5 OPERATOR: Members of the public on the phone
6 lines, if you would like to place yourself in queue for
7 public comment, please press one followed by zero at
8 that time. One filed by zero. And we will go to
9 Christine Grab's line. Please go ahead.

10 CHRISTINE GRAB: (Indiscernible) I have seven
11 requests. For title 18 USC Section 242, color of law,
12 it is a federal felony to misrepresent the contents of
13 the law or to say that something is a law when it isn't.
14 I request that FTB protect their staff from federal
15 prosecution by requiring all staff to cite verbatim
16 every statute and regulation when asked. Employees --
17 if the words of a particular statute or regulation does
18 not match FTB's policies or procedures, you are required
19 by law to follow the written version. If you choose to
20 follow FTB version, you could be federally prosecuted.
21 If there is not a statute or regulation number, it is
22 not a legally sanctioned business practice and subject
23 to prosecution. FTB cannot fire you for protecting
24 yourself.

25 Two, FTB has stated that estimated tax payments

1 are immediately identified as revenue and turned over
2 the state controller. FTB has also stated that some
3 estimated tax payments are not immediately applied to
4 the taxpayer's account. These payments are held in
5 suspense until taxpayer files that year's return. In
6 Grab versus FTB, FTB's record stated the payments held
7 in suspense were identified as no payments. The only
8 purpose I can think of to identify the payment as a no
9 payment is to not count those funds as revenue.

10 There were accounting irregularities with our
11 withheld payments making it appear that these funds were
12 utilized for something. During discovery, I asked FTB
13 for more information about these irregularities. Kelsey
14 Hubbard stated under penalty of perjury that FTB does
15 not keep accurate records. I requested FTB provide full
16 disclosure about this no payment suspense account,
17 including who, when, where, why and how these funds can
18 be utilized. This is the fourth year I have asked. It
19 appears to be an off-the-book spending account.

20 Three, please disclose exactly when tax
21 payments are applied to the taxpayers' account. This is
22 the fourth year I have asked. FTB's previous responses
23 were evasive and deceptive. It appears that FTB delays
24 applying payments to help fund its off-the-book spending
25 account. Four, in 2022 and 2023 I asked FTB to disclose

1 the guidelines for determining which payments and
2 portions of payments are included in the totals
3 collected for the purpose of calculating interest. I
4 asked because in Grab versus FTB, it was disclosed that
5 FTB only recognized some of the payments that we made
6 and only portions of other payments. Thus, we paid
7 interest because it falsely appeared we had an
8 outstanding liability. FTB's responses were evasive. I
9 asked again last year and FTB responded that a credit
10 all payments made after the due date. My wish is for
11 FTB to disclose the guidelines for timely payments.

12 Five, Revenue and Tax Code --

13 MS. RUBALCAVA: Excuse me, Controller Cohen,
14 time is expired.

15 CONTROLLER COHEN: (Indiscernible) --

16 CHRISTINE GRAB: 19087 states that MTA's can
17 only be issued on accounts that have an outstanding tax
18 liability.

19 CONTROLLER COHEN: Ms. Grab, thank you. Thank
20 you, Christine.

21 CHRISTINE GRAB: FTB withhold some payments to
22 MTA (indiscernible) -- you let that other lady talk --

23 CONTROLLER COHEN: We'll hear from you in the
24 next meeting.

25 CHRISTINE GRAB: -- for five minutes.

1 CONTROLLER COHEN: Thank you so much.

2 CHRISTINE GRAB: You let that other lady talk
3 for five minutes. Do not deny me my rights to speak.

4 OPERATOR: Our next --

5 CHRISTINE GRAB: Do not deny me my rights to
6 speak.

7 CONTROLLER COHEN: Your time is up.

8 CHRISTINE GRAB: The other lady talked --

9 CONTROLLER COHEN: Mr. Operator, next caller.

10 OPERATOR: Thank you. Our next we will go to
11 Susan Shaw with the CSEA. Please go ahead.

12 MS. SHAW: Thank you, Madam Chair Controller.
13 My name is Susan Shaw, EA. I represent the California
14 Society of Enrolled Agents. I'd like to thank the
15 members of the board, the taxpayer advocate, and all the
16 guests for providing this opportunity for CSEA's input
17 regarding matters that affect the tax community, and my
18 deepest apologies for being directionally challenged
19 earlier.

20 This year CSEA is focusing on the increased
21 burden on the Franchise Tax Board to administer the
22 collection of tax sharing information with other state
23 entities for non-tax purposes, such as -- including the
24 check-the-box initiative. CSEA recognizes the value of
25 and does not oppose outreach to inform Californians of

1 programs and assistance available to them. However,
2 check-the-boxes are not simple or harmless and are
3 fracturing the foundation of the tax system and
4 taxpayers' rights. The most recent examples of
5 check-box requirements regarding health care
6 information, SB 967, which is currently implementing and
7 organ donor registry check box AB 1268, which goes into
8 effect in the 2025-tax year.

9 CSEA's positions on these check-box initiative
10 are as outlined in our full report. Some of the issues
11 surrounding the health care check box include but are
12 not limited to inconsistent implementation of this new
13 requirement and tax software which creates issues for
14 tax practitioners which may lead to incorrect data
15 gathering. Positioning tax preparers and tax
16 practitioners to provide guidance to taxpayer on a
17 non-tax issue with limited information available to them
18 increased risk of unauthorized disclosure when sharing a
19 non-tax agency. Our report provide recommendations to
20 address these concerns, and we strongly encourage you to
21 consider them and allow CSEA to help in the process. We
22 thank you so much for your time.

23 CONTROLLER COHEN: Thank you. Next speaker.

24 OPERATOR: There are no other members from the
25 public queuing up at this time. Please continue.

1 CONTROLLER COHEN: Thank you. Let me see, Ms.
2 Perrault, do you have any questions? Follow up? Do
3 you, Senator, have any questions or follow-up for staff?

4 MEMBER GAINES: No.

5 CONTROLLER COHEN: Okay. Well, thank you very
6 much. Ms. Jones, do you have any remarks? Closing
7 remarks? Okay.

8 MS. JONES: Thank you to all who shared
9 testimony today. Your partnership helps identify areas
10 to improve tax administration and the services we
11 provide to California taxpayers and tax professionals.
12 The advocates office will now review and evaluate these
13 issues and collaborate with the appropriate FTB program
14 areas to develop responses. We are committed to
15 responding by February 3, 2026.

16 Thank you, Chair Controller, Deputy Controller
17 Emran, and Board Members for the opportunity to conduct
18 this year's hearing.

19 CONTROLLER COHEN: Thank you very much. Again,
20 we appreciate. We would love to see those written
21 responses, and to the members that came in person and
22 also online, thank you very much for participating in
23 our hearing today. This was an informational item, so
24 there's no action that needs to be taken. We're going
25 to keep moving forward.

1 We're going to go to Item Number 6, which is
2 the executive officers' time. At this time I'd like to
3 yield the floor to the Executive Director, Selvi
4 Stanislaus. Thank you.

5 MS. STANISLAUS: Thank you, Madam Chair.

6 For my time today, I want to give a brief
7 update on our filing season efforts for 2025. Before I
8 begin, I also want to take a moment to congratulate to
9 you Chair Cohen on your selection to prestigious Rodel
10 Fellowship class of 2026. You didn't know that we knew
11 that.

12 CONTROLLER COHEN: I did not. No. I got
13 nervous. Thank you.

14 MS. STANISLAUS: This is an extraordinary and
15 well-deserved honor. The fellowship recognizes leaders
16 who exemplify integrity, thoughtfulness, and a deep
17 commitment to public service. Qualities you demonstrate
18 every single day. So on behalf of my staff and FTB, we
19 are incredibly proud of you. Congratulations.

20 CONTROLLER COHEN: Thank you. Thank you.

21 We don't need to take public comment on that,
22 but thank you very much for the recognition.
23 Colleagues, do you have any questions for the Executive
24 Director?

25 DEPUTY CONTROLLER EMRAN: She has more stuff.

1 CONTROLLER COHEN: Huh? Oh, she has more
2 stuff. Oh.

3 MS. STANISLAUS: Just a few more things.

4 CONTROLLER COHEN: I thought it was just all
5 about me. I'm sorry. More business. Please.

6 MS. STANISLAUS: So turning to our filing
7 season efforts, as of last week we processed more than
8 19.2 million personal income tax returns with 95 percent
9 of them filed electronically. Over 14.8 million refunds
10 have been issued with refund amounts averaging 1,562,
11 and 84 percent of those refunds were delivered within
12 seven to ten days. I also want to recognize the
13 incredible work done by VITA volunteers. This year our
14 folks completed over 5,000 federal and state returns, so
15 congratulations to our VITA folks.

16 And of course, one of the most meaningful
17 outcomes of this work continues to be connecting
18 families to the California Earned Income Tax Credit, the
19 CALEITC. This year over 3.3 million credits were
20 claimed totaling nearly one billion dollars, and that
21 directly supports the hardworking Californians and make
22 a big difference in their life.

23 So in closing, I also want to express my
24 heartfelt appreciation to our Board for your continued
25 support, guidance, and commitment through our

1 (indiscernible) -- you're leadership strengthens our
2 mission every single day and ensures we remain
3 responsive to the needs of all Californians.

4 So lastly, I want to take a moment to wish our
5 Board Members and FTB staff and our families' health,
6 peace, joy as we head into the holiday season. Thank
7 you and happy holidays to everyone.

8 CONTROLLER COHEN: Great. Thank you very much.
9 Now do you have any comments? No?

10 MEMBER PERRAULT: No.

11 CONTROLLER COHEN: Okay. Go ahead.

12 MEMBER GAINES: I could. And -- sorry. Just
13 to look to the Executive Director, maybe you could help
14 me on a couple issues that I raised with you earlier,
15 and it's some questions that I'm just posing that were
16 focused on key performance metrics for the Franchise Tax
17 Board audit protest and settlement processes.
18 Understanding average completion times is crucial for
19 taxpayers, tax professionals, and policymakers. As
20 delays can lead to prolonged uncertainty, accruing
21 interest on disputed amounts and increased compliance
22 cost, California's tax system emphasizes efficiency
23 under the Taxpayer Bill of Rights, which I appreciate
24 that we go through this process every year.

25 And with the FTB, setting internal goals to

1 resolve matters promptly often aiming for audits within
2 two years of initial contact and protest within 24
3 months to balance revenue collection with fair
4 administration. Recent federal changes like the
5 partnership audit regime, adding complexity, prompting
6 questions about alignment with the IRS processes. Below
7 is tailored context for each question.

8 So I just wanted to -- I presented those
9 questions to you, but if you can go through that
10 process, and I just wanted to make sure that any
11 taxpayer is getting their due process and that that is
12 dealt with in a timely manner, especially when there are
13 interest payments that are accruing for that taxpayer.

14 MS. STANISLAUS: Yes, we do. Shane, do you
15 want to go ahead and answer those questions?

16 MR. HOFELING: You bet.

17 Thank you, Member Gaines, for that question.
18 And so I'll start off by saying -- yeah -- for our
19 audits, as well as our undocumented protests, we do try
20 to complete all of those within 24 months, and we are
21 within that goal frame at that point. Because you said
22 we are very -- we recognize that the untimely delays do
23 take longer times and incur more costs for taxpayers,
24 and so our goal is to try to minimize that. For
25 docketed protests, those are protests handled by the

1 legal department pursuant to a notice. It's FTB Notice
2 2018-1. We've sat three years as our goal. Currently,
3 over the past three years we've been averaging about 3.4
4 years. I will say we've -- about a year and a half ago
5 we took big effort to start to minimize that delay, and
6 we've -- by moving some resources around, as well as to
7 look to see where -- how much time we're spending and
8 putting more people on those times, we've been able to
9 reduce that, and so each year we've been -- any of our
10 inventory over three years we have been able to reduce
11 about 50 percent of that aged inventory every year.

12 MEMBER GAINES: Okay.

13 MR. HOFELING: And that's something that we
14 continually work on, as well, to try to bring that below
15 the three years. For settlements, I'm happy to say --

16 MEMBER GAINES: Yeah. Can you help me with
17 that? Just in terms of the time line, your goal is
18 three years. Can you just tell me a little bit in terms
19 of why does it have to be three years and why couldn't
20 that be a shorter period of time?

21 MR. HOFELING: You bet. And so, obviously, if
22 we're able to complete it within -- within a shorter
23 period of time, we definitely do so. In fact, we
24 identify certain tracts or protests. May be at 24-month
25 track or a 12-month. A lot of it depends on the

1 complexity, and so usually for cases that are docketed,
2 they're brought to legal -- usually they -- a lot of
3 those protests include extremely complex transactions.
4 Think of multi-tiered entities over several years, or
5 they've also dealt with cases what we call first
6 impression. It's the first time we've been looking at
7 those issues. And so we want to make sure part of that
8 process we work with the taxpayer and their
9 representatives to make sure that we understand their
10 point. So the purpose of the protest is we review the
11 audit file, as well as work with the rep to make sure we
12 understand all their arguments. The idea is that the
13 legal employee assigned to that protest is able to make
14 an independent assessment. So with a lot of these
15 transactions since they are fairly complex and spend
16 numerous years, we do take the time to ask for
17 additional information. In addition to that, we want to
18 make sure that we're not closing that process off early
19 to meet a time frame.

20 And so we want to make -- so a lot of times
21 during those processes we -- if the taxpayers' rep would
22 like additional time to provide time, we will allow
23 additional time. Also, within that three-year period,
24 in a segment of these cases, during the process they may
25 request settlement, and so that puts the protest on hold

1 while things are going through settlement. If it's
2 settled at our Settlement Bureau, that's great. If not,
3 that's comes back, and so that adds additional time to
4 that, and so that's why it's a little bit longer than
5 the undocketed protest to your time frame.

6 MEMBER GAINES: Okay. And how about with --
7 let's see, in those cases, they are going to OTA?

8 MR. HOFELING: So after the -- after we return
9 a determination -- obviously, if we find in favor of the
10 taxpayer, then that's the end of the road. If we affirm
11 the audit determination, then taxpayers' have the right
12 to appeal in front of OTA. And at that point they
13 can -- they'll have a chance to file an opening brief
14 with OTA, making their argument, and it will be decided
15 by OTA.

16 MEMBER GAINES: Okay. And is there a
17 bottleneck at OTA in terms to hearing cases?

18 MR. HOFELING: I know that OTA has a really big
19 docket, and so they do work on them quite quickly. And
20 they have either cases that go to a hearing or based it
21 on the briefs, and so that has different time lines.

22 MEMBER GAINES: Is there any way to speed that
23 process up? And I don't even know if we have any
24 authority here on this board, but if there's an issue,
25 I'm just wondering what can be done to try to address

1 that.

2 MR. HOFELING: So we work really closely with
3 the Office of Tax Appeals, as far as the administration
4 of when appeals are filed, and so I know that they are
5 working through the giant inventory with their staff, as
6 well, and so we are in good communication with them.

7 MEMBER GAINES: Okay. So they're aware of it,
8 and they're trying to resolve it?

9 MR. HOFELING: Yeah. I don't know what they --
10 how they are backlogged or not. I know that there's a
11 high amount of appeals, and so they are working on
12 that.

13 MEMBER GAINES: Okay. All right. Very good.
14 Excellent. Well, I just wanted to bring it to your
15 attention and just wanted to make sure that we can get
16 people through the process as soon as we can. I just --
17 I'm concerned about taxpayers having to pay interest on
18 money due while these are being adjudicated, and the
19 more we can shorten that time frame, I think the easier
20 it is. I think they'd like to get through the process
21 as soon as they could. That probably -- that may not be
22 the case in all cases, right. Sometimes these things
23 take a long time with legal representation and things of
24 that nature, but if you can just keep an eye on it and
25 keep us updated in terms of what's happening there, that

1 would be appreciated.

2 MR. HOFELING: Definitely.

3 MEMBER GAINES: Great. Thank you.

4 CONTROLLER COHEN: All right. Thank you very
5 much. I have a few -- sorry -- we're still on Item 7 --
6 six. I'm moving on. Thank you very much for your
7 presentation. I want to move on to Item 7, which is the
8 Board Member's time, but before I move on, I want to
9 take public comment on the Executive Director's time,
10 which is Item 6 on the agenda.

11 Is there anyone in the auditorium that would
12 like to speak on this item? Anyone online that would
13 like to speak on Item 6?

14 OPERATOR: Members of the public on the phone
15 line, if you would like to place yourself in queue for
16 public comment, please press one zero at this time. One
17 zero. And we'll go to Christine Grab's line. Please go
18 ahead.

19 MS. GRAB: Mr. Gaines, the majority of
20 taxpayers have their protests denied by attrition. So
21 what happens is FTB takes more than a month; two, three
22 months -- business accounts, it's six months to process
23 correspondence. So by the time they process the
24 correspondence, the deadline has passed, and so they
25 move forward with collections as if you hadn't

1 protested. In my own court case it was disclosed that
2 FTB hid this denial of our right to protest by misfiling
3 all the protests that both my husband and I had
4 submitted to FTB. So, no, Mr. Gaines -- no. The
5 protests are being denied systematically at FTB thanks
6 to the slow service.

7 MEMBER GAINES: Okay. Thank you. Thank you.

8 OPERATOR: And there are no other members of
9 the public queuing up at this time.

10 CONTROLLER COHEN: All right. Thank you.

11 MEMBER GAINES: Can I follow up and --

12 CONTROLLER COHEN: Yeah.

13 MEMBER GAINES: -- reference that in terms of
14 she brings up the attrition issue. Can you speak to
15 that?

16 MR. HOFELING: I'm unsure what she means by
17 attrition issue. As far as the protest that we go in,
18 I'm unaware of an issue that we have that we're unable
19 to process those protests due to a lack of employees.

20 MEMBER GAINES: Okay. All right. Thank you.

21 CONTROLLER COHEN: All right. This concludes
22 Item 7. Now we're going to hear Item 8 -- excuse me.
23 Item -- that would conclude Item 6. Now this is Item 7,
24 which is the executive direct -- the Board Member's
25 time. I want to see if Senator Gaines has any thoughts

1 that he would like to --

2 MEMBER GAINES: Yeah. I just hope you have a
3 great holiday or Christmas or Hanukah or however you
4 celebrate this time of year, and I'm really grateful.

5 CONTROLLER COHEN: I know. Tell us your
6 story.

7 MEMBER GAINES: Yeah. So we -- my wife and I
8 were traveling -- pulling our trailer across Idaho, and
9 a gust of wind came up and lost control of the trailer
10 and suddenly the trailer was controlling our truck. And
11 so we slid across the highway and the truck rolled a
12 couple of times, and we got concussions and I got a gash
13 in my head that I'm -- thank God that it has healed up
14 really well, and we're doing great, and it's like --
15 enjoy life. Maximize your opportunity because you never
16 know when something dramatic may happen, and we thought
17 we might be heading to heaven and it just didn't happen
18 yet, and so we're looking forward to enjoying life with
19 our grandkids and celebrate it. And two things that are
20 really important in life, I think, is -- so I'm a
21 Christian, so I'm going to say love of God. This is my
22 perspective. Love of God and love toward one another.
23 So regardless of how we feel about issues, we need to
24 keep that central, right. So we want to live in a
25 society that's civil.

1 CONTROLLER COHEN: Absolutely.

2 MEMBER GAINES: And we can still disagree and
3 we can argue and fight, so -- that's okay, but let's try
4 to keep it civil. Thank you.

5 CONTROLLER COHEN: Thank you very much for
6 sharing that special story. I love how he actually
7 thought he was going to heaven immediately. That was
8 his first -- that's his first instinct. Oh, Lord, am I
9 coming? Is it my time?

10 MEMBER GAINES: God willing.

11 CONTROLLER COHEN: Oh, my goodness. We have a
12 good time up here. It's been fun serving with Senator
13 Gaines, and we sit across from the aisle, if you will,
14 right. We don't see things eye to eye all the time
15 politically, but we always manage to come together,
16 certainly when it comes to the taxpayers' business.

17 Let's see, do you have anything that you would
18 like to share, Ms. Perrault?

19 MEMBER PERRAULT: I'm not sure I can follow
20 that, but I'm glad that everybody is safe, Senator, and
21 that you are on this side of heaven still. And so we
22 appreciate that, and I will just second the comments
23 about coming together and being able to disagree in a
24 professional and polite way and appreciate that
25 sentiment. But also just want to echo Selvi's comments

1 to staff, this is the last meeting of the year. I do
2 hope this entire staff and team gets a little bit of
3 down time during the holiday season at the end of this
4 month, because I have a feel that January is going to
5 come and you will be very, very, very busy. So
6 hopefully -- I wish you all some rest into the end of
7 the year, and we will be back at it at the very
8 beginning of next. So thank you, again, for all you do.
9 It's much appreciated by the State of California, and I
10 know by our taxpayers.

11 CONTROLLER COHEN: All right. Thank you. And
12 I just wanted to add a few comments. Only five pages,
13 folks, so don't worry.

14 First, I wanted to just acknowledge that as we
15 begin to look ahead to the future -- to future board
16 meetings in 2026, I'd like to request that the Executive
17 Director and her team explore areas where Franchise Tax
18 Board's tax policy and administrative work intersect
19 with environmental goals, as well as poverty
20 alleviation. Let me expand a little bit on that.

21 So at first I want to appreciate -- first I
22 would appreciate a review of the Natural Heritage
23 Preservation Tax Credit, as well as other environmental
24 related credits or carry overs that remain active in our
25 system. Let me frame that for you, so it would be very

1 helpful for me to understand how these credits are being
2 used, who is benefiting from them, how they align with
3 the State's climate and conservation objectives.

4 Next, I'd like to welcome a broader look at how
5 California conforms to -- or quite frankly, differs from
6 federal renewable energy credits, such as the Federal
7 Solar Tax Credit, battery storage, and clean emergency
8 incentives, and what role the FTB can play in educating
9 taxpayers about these opportunities.

10 And then third I'd like to -- I'd like a report
11 on tax exclusions and related provisions that support
12 water conservation efforts including turf replacement
13 programs and other water conservation income exclusions
14 including efficient toilets and washers. I want to
15 understand how we currently connect with the public on
16 these incentives. I want to quantify how many taxpayers
17 are using these exclusions and examine if they're still
18 eligible.

19 And then finally, I'd like to learn a little
20 bit more about the tax deductions and exclusions that
21 encourage positive public outcomes, including charitable
22 contributions, deductions that support nonprofits
23 serving low-income Californians. I'd like to better
24 understand how taxpayers use these provisions and
25 whether the public awareness is sufficient. I think all

1 this information will be very valuable.

2 And then moving on somewhat in a similar vain
3 to Senator Gaines. I want to just take a moment and
4 acknowledge the heartbreaking tragedy that occurred in
5 Stockton a few weeks ago. A child's birthday
6 celebration, which was a moment meant for joy, it was
7 violently interrupted. Several children lost their
8 lives. Others were injured and families and neighbors
9 are now facing unimaginable pain. And I just wanted to
10 acknowledge those families and the entire Stockton
11 community and let them know we are sending our deepest
12 condolences. There's no parent or child or community
13 should really ever have to endure such a profound loss.

14 I also want to recognize the first responders
15 that were the first on the scene. The medical personnel
16 who acted quickly, compassionately in an incredibly
17 difficult situation. We know that the investigation is
18 still continuing, but this tragedy surely reminds us
19 that public safety is not an abstract issue. It affects
20 every household, every neighborhood, every child, and we
21 collectively as public officials, us as elected but you
22 as really ambassadors of the State of California. It's
23 just our collective responsibility to support this -- to
24 support the Stockton community and all communities that
25 find themselves in healing, and I look forward to

1 support policies that help prevent violence and keep our
2 community safe.

3 I also want to close and extend my most sincere
4 appreciation to executive officer Selvi Stanislaus who
5 is lovely and gracious and firm. And firm. And to all
6 the FTB staff, thank you for making our time together so
7 enjoyable. I tend to call out folks, add a little
8 personal -- my personality into these meetings whether
9 we're talking about Red and his Northern California
10 accent or others. I really thank you for answering
11 e-mails and calls that I have -- that I put out just
12 working on behalf of taxpayers, I want to acknowledge
13 your hard work because I know public service is not easy
14 and sometimes it's thankless. But you guys are
15 professionals. You're dedicated throughout the year,
16 and I just want to wish everyone -- each and every one
17 of you a peaceful and very happy holidays to you all.

18 And with that, we are adjourned.

19 Oh, sorry. Public comment. Is there anyone in
20 the audience that would like to take some time to share
21 their thoughts in public comment? Okay. Let's go see
22 if Christine Grab is still online.

23 Mr. Operator, could you please check to see if
24 there's anyone for public comment.

25 OPERATOR: We do have Christine Grab. One

1 moment.

2 CONTROLLER COHEN: All right. Come on,
3 Ms. Grab. Close us out.

4 OPERATOR: You may go ahead, Ms. Grab.

5 MS. GRAB: So I did submit my request in
6 writing, so you have them, but I would like to ask that
7 you allow other people to submit requests today, even
8 though the meeting is concluded because of the shortened
9 time. People didn't get to say everything they wanted
10 to say, so they should be allowed to submit in writing
11 even beyond the deadline.

12 CONTROLLER COHEN: Well, actually, they can
13 submit to the close of business today, but you are
14 right. They are able to submit their comments in
15 writing, and most commenters have already done so, and
16 that is a matter of public records for anyone that's
17 curious to what any of the taxpayers that testified
18 today what their concerns are. That is documented, and
19 it is a public record.

20 Mr. -- what's his name, again -- operator. Are
21 there any other speakers?

22 OPERATOR: There are none.

23 CONTROLLER COHEN: Thank you. And with that,
24 we are adjourned. .

25 (Proceedings adjourned.)

REPORTER'S CERTIFICATE

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

That the foregoing electronically-recorded proceedings were transcribed by me to the best of my ability.

I further certify I am neither financially interested in the action nor a relative or employee of any attorney or party to this action.

IN WITNESS WHEREOF, I hereunto subscribe my name this 29th day of December, 2025.



Natalie Fagan
CSR NO. 13993

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