



STATE OF CALIFORNIA  
TAXPAYERS' RIGHTS ADVOCATE'S OFFICE MS F280  
FRANCHISE TAX BOARD  
PO BOX 1468  
SACRAMENTO CA 95812-1468

01.25.2019

LYNN FREER, EA  
SPIDELL PUBLISHING, INC.

Dear Ms. Freer:

Thank you for your proposals presented at the Taxpayers' Bill of Rights hearing last December. As the Taxpayers' Rights Advocate, your concerns are important to me. I am always interested in hearing your concerns and partnering with you to help resolve them. Please note the Department's response below to your proposals:

1. Timely Resolution of Audit Cases

Timely resolution of audit cases benefits both the taxpayer and Franchise Tax Board and helps ensure we stay within the audit regulation timeframe. As a result, we are committed to timely resolution of audit cases and a favorable customer experience. Approximately 88% of our inventory has been open less than two years.

The remaining percentage takes into account situations where an extended timeframe is necessary due to case complexity or other factors, such as federal audits, staffing changes, or fluctuating business cycles. Typically, these extended timeframes occur in larger corporation cases or multi-tiered structures. Over the past few years, approximately 10 to 12% of our cases have fallen into this category. Cases with less technical or logistical complexity can usually be resolved in two years or less.

Over the years, we have used different strategies to improve the timeliness and enhance the quality of our audit process, such as robust knowledge transfer, customer experience surveys, and open dialogues with the taxpayer and tax professional communities. More recently, we have also promoted the use of effective audit plans and educational letters or similar strategies to contact taxpayers.

We continue to promote timeliness and quality in our audit processes, including case review, and appreciate the insight taxpayers have provided on their audit journeys. We also invite dialogue and feedback on specific case examples so we can identify further opportunities to enhance our audit programs.

2. The Larsen Case and non-CA Service Businesses

The *Appeal of Larsen*, 2018-OTA-073, July 25, 2018 is a recent nonprecedential decision of the Office of Tax Appeals (OTA). Nonprecedential decisions are controlling for the case before the OTA, but are not binding for subsequent cases. (OTA Rules of Tax Appeals, Rule 30502(b)). The Franchise Tax Board is currently reviewing the decision in the *Appeal of Larsen* and will consider providing information regarding the effect of the decision in the near future.

Sincerely,

Susan Maples  
Taxpayers' Rights Advocate

cc: Yvette M. Stowers  
Jacqueline Wong-Hernandez  
Irena Asmundson  
Val Davidson