



STATE OF CALIFORNIA
TAXPAYERS' RIGHTS ADVOCATE'S OFFICE MS F280
FRANCHISE TAX BOARD
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01.31.2020

JOYCE CHENG, EA
CA SOCIETY OF ENROLLED AGENTS

DEAR MS. CHENG:

I would like to thank CSEA for attending and presenting their issues at the December 2019 Taxpayers' Bill of Rights Hearing. The following responses were provided by the appropriate program areas within the Department. As Taxpayers' Rights Advocate, your concerns are important to me. During the year, I will keep track of issues requiring longer-term solutions and may report on these in the future as part of the Annual Report to the Legislature.

1. Schedule CA and the importance of conformity for itemized deductions in the future (Sections 11042, 11043, and 11045)

FTB Response:

Federal H.R.1, Tax Cuts and Jobs Act, made changes to federal itemized deductions and the federal standard deduction amounts beginning with the 2018 tax year. These federal changes had significant impact to the California Schedule CA (540), California Adjustments, which required us to reformat portions of the form to enable California taxpayers to properly claim all allowable itemized deductions.

The entire Schedule CA (540) was placed in a consistent format allowing the taxpayer to easily see all California adjustments made to each of the federal line items listed on the form. The reformatted Schedule CA (540) traces the differences between the federal return to a California return to help the 17% of taxpayers who we anticipated would use the Federal Standard Deduction while still itemizing for state purposes.

Tax software companies and tax professionals were made aware of the format changes early, resulting in no significant issues to date with the reformatted Schedule CA.

We initially looked into the feasibility of creating a state version of federal Schedule A. However, this option may require legislation. California Revenue and Taxation Code (R&TC) Sections 19851 (formerly 19310) and 19582 (formerly 19311) effectively created Schedule CA in 1987. These code sections required FTB to make the state tax returns as simple as possible for the taxpayers by starting with federal AGI and federal itemized deductions and then making state adjustments.

FTB has historically supported conformity to federal law as a means to reduce taxpayer burden and increase compliance. However, any conformity legislature would need to originate with the California Legislature and not FTB.

2. California Individual Health Insurance Mandate

FTB Response:

Senate Bill 78, creating the new California individual health care mandate, was signed by the governor on June 27, 2019. Almost immediately after passage of the bill, FTB began coordination with our new partners at Covered California on the four key components of the legislation:

1. Expanding health care enrollment in minimum essential coverage;
2. Providing financial assistance through a health care subsidy program;
3. Validating the taxpayer's reconciliation of those subsidies; and finally,
4. Administering the penalty for those without minimum coverage of health care.

Early on, we identified that communicating about the new penalty and Covered California's open enrollment period beginning in October 2019 were high priority items, and began partnering on messaging with Covered California for their extensive marketing campaign which is currently underway.

We held a stakeholder meeting in November 2019 that provided us the first opportunity to directly engage with our new stakeholders on perfecting these new information reporting requirements and our path toward full implementation. We are currently working on a penalty calculator for our website, as well as more robust information to assist our new stakeholders on their roles and responsibilities under the California program.

Because education and outreach are critically important to ensure understanding of the new California mandate, we have already undertaken a number of efforts.

Some of what we have already done:

- In August, FTB created a webpage on our website outlining the mandate and the penalty: <https://www.ftb.ca.gov/about-ftb/newsroom/news-articles/health-care-mandate.html?WT.ac=Healthcare>. This page will be updated as needed.
- Covered CA also has a page about the penalty: <https://www.coveredca.com/individuals-and-families/getting-covered/penalty-and-exemptions/>
- FTB has done presentations to the tax professional community and shared information with tax software providers. Additionally, FTB's VITA training encourages volunteers to educate clients about the penalty
- Covered California has been airing TV and radio ads about the mandate. Several of these ads mention the penalty.

- Social media digital ads began running in November, pushing users to the FTB webpage for information about the penalty.

We are also working on future communication and outreach items:

- FTB news releases are planned.
- Covered California will send a letter to families identified as being in need of insurance. The letter, developed with the help of FTB, will include information about the penalty.
- FTB is working with EDD to leverage their relationship with the employer community to try and further spread the word about the mandate and penalty.
- Those calling FTB will hear a message about the health care mandate and penalty when they are waiting to speak to an agent.
- We have a social media campaign planned that will focus on the penalty.
- A Covered CA paystub insert will be out in late November encouraging all state employees to ensure they have coverage and to be ambassadors to spread the word to their families and friends to get coverage.

FTB and Covered California are working diligently to spread the word about the new health care mandate and the possible penalty for not having coverage. It is our primary goal that, to the extent possible, anyone subject to the mandate hears the message and understands their responsibility to obtain and maintain coverage, or an exemption from having coverage, beginning on January 1, 2020.

Sincerely,

Susan Maples

Susan Maples
Taxpayers' Rights Advocate

cc: Irena Asmundson
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