



STATE OF CALIFORNIA
Taxpayers' Rights Advocate Office MS F385
FRANCHISE TAX BOARD
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Dear Ms. Freer, EA,

Thank you for attending and presenting your issues at the December 2021 Taxpayers' Bill of Rights Hearing. As the Taxpayer Advocate, your concerns are important to me.

The following responses were provided by the appropriate program areas within the Department:

Poor communication of new laws

Franchise Tax Board (FTB) remains steadfast in providing excellent service to California taxpayers. One aspect of this is to publish accurate and timely information on our website after new tax laws are enacted. In 2021, we had to implement two complex bills, Assembly Bill (AB) 80 and AB 150.

FTB received a list of detailed, specific questions for AB 80 soon after the enactment of the legislation from Spidell Publishing, Inc. (Spidell) and other stakeholders. Our legislative implementation team immediately began analyzing the bill and the related federal rules and regulations. The FTB provided answers to questions directly to Spidell and other stakeholders in the order received. The team concurrently developed information and Frequently Asked Questions (FAQs) to be released on FTB's website. Given the complicated nature of the statute, subsequent issuance of federal guidance, and the large number of inquiries, we believe that our response times were timely and appropriate.

For AB 150, a legislative implementation team was also formed upon enactment of the legislation. AB 150 created a new complex Pass-Through Entity tax and corresponding Personal Income Tax credit. Within the first weeks of its enactment, FTB received an unprecedented number of questions from representatives, practitioner groups, and trade media. This new law interacts with several other complex areas of the Revenue and Taxation Code. The team quickly mobilized to understand the nuances of the new tax and credit, began to answer the questions in the order received, and created FAQs and detailed information for the website. Responses were typically provided to Spidell within a week of receiving the inquiry.

As with AB 80, given the complicated nature of the statute and the large number of inquiries, we believe that our response times were timely and appropriate. Taking into consideration questions asked by Spidell and other stakeholders, we received and responded to over 200 questions regarding AB 150 within the first six months of enactment.

Providing only basic guidance in the form of FAQs that are often incorrect

FTB creates FAQs to provide answers to the most common questions received about each topic. As the application of law may change as to a taxpayer's own unique facts and circumstances, the FAQs are created in a way that would provide answers to the majority of the questions that were received. As such, the FAQs are broadly focused to apply to the majority of taxpayers seeking guidance.

As we always strive for accurate and helpful FAQs, if an error in the FAQ is discovered, we work quickly to correct any error. Although we are unaware of a substantial amount of errors with the FAQ, we appreciate any comments or corrections you may offer.

We currently develop our FAQs in an internal process; however, we always are happy to consider any input the public may have to improve our FAQs.

Website issues

FTB uses the most current [California State Template](#) for web publishing. The purpose of the template is to give all state government websites a standardized look and feel that promotes the CA.gov brand and contributes to a consistent user experience. FTB designed its website and homepage to create an optimal experience for all California taxpayers and stakeholders, including those that may use assistive technology or mobile devices.

FTB does not use dropdowns, as viewing options are limited without scrolling. Instead, we use the best practice of navigating by clicking from the home page to a dedicated page or landing page for the content.

We agree that important issues should have visibility and improving visibility for issues is critical to taxpayers and tax practitioners. In addition to the boxes on the main homepage where we currently highlight new information, FTB will continue to look for ways to improve the visibility of key issues and information. FTB will also look for ways to improve the visibility of the [Tax professionals | FTB.ca.gov](#) web page and ensure the content on the page is providing the technical information needed by our stakeholders and website visitors.

Systemic problems

Currently, due to existing IT systems limitations, when a taxpayer makes a payment after April 15 and requests to transfer an overpayment to the next tax year, our

systems are unable to make those transfers automatically, like they do when the payment is received on or before April 15. However, we have a manual work process in place to resolve these occurrences each year. In a normal year, the volume of these occurrences is typically very small and is resolved quickly. In order to provide relief to taxpayers due to the pandemic, the FTB postponed its filing deadlines in 2020 and 2021 to follow the IRS due dates. As a result, we experienced a much higher volume of these occurrences and it caused a higher volume of manual transfers to ensure proper credits are posted to the future tax year.

For tax year 2021, we have been regularly resolving the impacted accounts over the last several months and anticipate completion of the manual adjustments by mid-February of 2022. For reference, in a normal year, we would resolve about 4,000 to 5,000 accounts. In 2021, we manually corrected approximately 100,000 accounts. We prioritized this work into our normal peak season workloads to ensure that taxpayer's 2021 tax accounts are properly credited before those returns are filed in 2022.

We recognize that our communication on this issue was unintentionally fragmented. We sincerely apologize for the confusion and frustration this may have caused for our taxpayer community. We continue to strive for excellence in training and procedures for our contact center staff, including our Tax Practitioner Hotline teams. We have used this teachable moment to ensure that our procedures are accurate and internal communication methods are maximized. In addition, we have listened to the concerns raised by the taxpayer community and are improving our communication plan for these issues. We will evaluate other channels of communication such as Tax News, Press Releases and our website to ensure information is accurate and available to the public.

Sincerely,



Brenda Voet, EA
Taxpayer Advocate

cc: Betty T. Yee
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