



STATE OF CALIFORNIA  
Taxpayers' Rights Advocate Office MS F385  
**FRANCHISE TAX BOARD**  
PO BOX 157  
SACRAMENTO CA 95741-0157

02.03.2026

California Taxpayers Association (CalTax)

Dear Jeissy Lee:

Thank you for raising these concerns at the December 2025 Taxpayers' Bill of Rights Hearing. As the Taxpayers' Rights Advocate, your concerns are important to me.

Below are the two concerns you presented, followed by responses from the appropriate program areas within the department:

### **Concern #1: Regulations and Other Guidance**

The FTB has historically issued substantial guidance with regulations and various rulings. This has changed in recent years, with the FTB issuing rulemaking at a much slower pace. For example, SB 167, signed into law in 2024, made significant changes to address the 2024-25 budget shortfall. Among other things, it suspends most taxpayers' ability to deduct net operating losses (NOLs), limits the use of credits to \$5 million for tax years 2024 through 2026, and alters corporate income tax apportionment provisions.

While the extensive rulemaking process is crucial for creating effective regulations, the taxpayer community suffers from lack of guidance while the FTB goes through that process. Taxpayers would benefit greatly from a timelier process that includes relevant information about compliance and the potential interaction with other statutes.

Additionally, since last year's Taxpayers' Bill of Rights hearing, there have been no new Chief Counsel Rulings (CCRs) issued. As stated in our letter last year, the issuance of CCRs has dropped significantly in recent years. From 2011 to 2020, there were 33 rulings issued. Since 2020, there have been four. These rulings are an important form of legal guidance, helping taxpayers avoid potential penalties and providing clarity in California's complex tax landscape.

We urge the Board and the FTB leadership to review and address the significant slowdown in regulatory and legal guidance in recent years to provide taxpayers with the timely, relevant tax guidance they deserve.

## FTB's Response to Concern #1

Thank you for your feedback. After SB 167 (2024), several changes were made to FTB's forms and instructions to provide information to taxpayers on how to accurately file. If there is a particular issue related to SB 167 (2024), that you feel would benefit from guidance, please let us know.

Regarding regulations, the FTB completed a year's long regulation project for Regulation 25136-2 last year. In addition, as provided in the rulemaking calendar, the FTB has five current regulation projects at various stages of the informal rulemaking process. The FTB is actively working on coordination with its oversight agencies and will be holding interested parties meetings this year to seek feedback from the public on draft language. One of these projects, regarding pass-through entity withholding, we are hoping to conclude early this year.

The final point you identified relates to FTB's issuance of Chief Counsel Rulings. These requests originate from the taxpayer community. Once received, the FTB determines whether the request meets the requirements of FTB Notice 2009-08. If the request does not meet those requirements, the FTB may request additional documentation from the taxpayer in order to issue the ruling or meet with the taxpayer to discuss why the FTB is unable to issue the requested ruling. Not all requests for Chief Counsel Rulings ultimately result in a ruling being issued; however, the FTB works diligently with each individual requestor to resolve the request.

## Concern #2: Delays in the Resolution of Tax Controversies

Over the past few years, taxpayers have consistently commented on the unreasonably long delays in addressing tax controversies. A significant area where taxpayers experience these delays is with Regulation 25137, relating to the alternative apportionment process. This regulation was amended in 2023 to help streamline the petition process. However, the FTB still faces a significant backlog of alternative apportionment cases, especially when these petitions are brought forth by taxpayers. We understand the resource constraints the FTB faces with handling tax controversies, but taxpayers deserve to have their petitions reviewed in a timely manner, with reasonable communication provided about when issues will be resolved.

Contributing to the delays in the resolution of protests and controversies is when protest hearing officers are reassigned to another role in the FTB. When a taxpayer's case is reassigned to a new protest officer, the review process restarts. This may extend the review of a petition from 24 months to several years. With audits, the FTB previously focused on the expected timetable to resolve cases, keeping itself accountable to taxpayers with this timeline. It would be helpful if the FTB took a similar approach to resolve protests, first determining the extent of these unreasonable delays, and then seeking input from taxpayers on effective solutions.

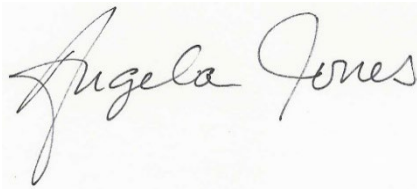
We urge the FTB leadership to consider these comments when considering solutions for unreasonable delays. This will encourage transparency and accountability to taxpayers, ensuring taxpayers that the FTB will address their petitions appropriately.

## FTB's Response to Concern #2

We appreciate your comments and feedback regarding the length of time to resolve protests and Regulation 25137 matters. We are reviewing our internal procedures and processes to identify the causes for delays in the process and create efficiencies to remediate those delays. For both protests and Regulation 25137 matters, the issues may be complex and require additional factual development; however, we strive to complete these efficiently while continuing to ensure that it is a collaborative and transparent process with the impacted taxpayers and their representatives.

I appreciate the time you took to attend this year's hearing on behalf of The California Taxpayers Association.

Sincerely,

A handwritten signature in black ink that reads "Angela Jones". The signature is written in a cursive style with a large, stylized 'A' and 'J'.

Angela Jones  
Taxpayers' Rights Advocate

cc: Malia M. Cohen

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