



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

02.03.2026

Ryan LLC

Dear Gina Rodriguez:

Thank you for submitting your concerns at the December 2025 Taxpayers' Bill of Rights Hearing. As the Taxpayers' Rights Advocate, your concerns are important and I appreciate your participation.

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

Concern #1: Conform to the IRS Automatic Consent Procedure for Changes to R&D Credit Methods

To revoke a taxpayer's election of the R&D Credit method made in a prior tax year, the FTB should conform to the IRS automatic consent procedure by allowing taxpayers to simply complete the appropriate section of the R&D Credit form when filing their timely original return.¹

The FTB currently requires taxpayers to obtain *explicit* consent *before* filing their returns in order to change R&D credit methods. This burdensome requirement **creates unnecessary compliance obstacles and serves no policy purpose**—particularly given that the FTB's own return-processing system already captures and tracks the credit method a taxpayer elects when the return is filed.² Further, the FTB's procedure is not in line with the goal of the R&D Credit, which is to incentivize—not penalize—innovation and

¹ The Economic Recovery Act of 1981 created the “regular” research method for research expenses paid or incurred on or after July 1, 1981. As an alternative to the regular method, the Small Business Job Protection Act of 1996 enacted the alternative incremental credit (AIC) method for tax years beginning on or after July 1, 1996 ((IRC §41(c)(4)) and Treas. Reg. §1.41-8(a)). Congress added the alternative simplified credit (ASC) method in the Tax Relief and Health Care Act of 2006 for the 2007 and subsequent tax years, and it quickly became the dominant alternative method. Congress then effectively repealed the AIC method by choosing not to extend its sunset date in the Emergency Economic Stabilization Act of 2008; therefore, the AIC method expired under its own terms for tax years beginning on or after January 1, 2009. SB 671 (Ch. 87-1138) conformed California law, with modifications, to the federal regular method, for the 1988 and subsequent tax years; SB 455 (Ch. 97-611) conformed California law, with modifications, to the federal AIC method, for the 1997 and subsequent tax years; SB 711 (Ch. 25-231) repealed the AIC method and conformed California law, with modifications, to the federal ASC method, both for the 2025 and subsequent tax years.

² Of the 50 lines in Parts I and II of [2024 Form FTB 3523, Research Credit](#), the FTB captures in its system 29 of those lines, including whether the taxpayer elected the regular or AIC method. See <https://www.ftb.ca.gov/forms/2024/2024-3523.pdf>.

R&D activity that allows taxpayers to adjust for innovation cycles, varying R&D intensity, and flexibility in planning.

The FTB's existing procedure is a well-known **audit trap** and a **significant compliance burden**—one that previously existed at the federal level until Congress, through a Treasury regulation, eliminated it more than two decades ago. The FTB's procedures leads to unnecessary audits, protracted settlements, avoidable appeals, taxpayer frustration and a resource strain on both the FTB and the Office of Tax Appeals (OTA).³

Notably, the FTB recently announced **for the 2025 tax year only** conformity to the federal procedure, and is allowing taxpayers to complete the appropriate section on the R&D Credit form itself (Form FTB 3523) to switch from the alternative incremental credit (AIC) method, which has been repealed, to either the alternative simplified credit (ASC) or regular method when filing their timely original 2025 return.⁴ We agree that the FTB has authority to conform to the federal procedure for the 2025 tax year. That authority also appears to exist for all other tax years, and the FTB should conform to the federal procedure for all tax years, not just the 2025 tax year.⁵

In the same recent announcement about conforming to the federal procedure for the 2025 tax year, the FTB stated that, starting with the **2026** tax year, taxpayers must revert to the onerous revocation procedure. The FTB's procedure for the 2026 and subsequent tax

³ In the [*Matter of Motivo Engineering, LLC 2025-OTA-443*](https://ota.ca.gov/wp-content/uploads/sites/54/2025/08/220510300-Motivo-Engineering-LLC-OTA-Opinion-102224wm.pdf) at <https://ota.ca.gov/wp-content/uploads/sites/54/2025/08/220510300-Motivo-Engineering-LLC-OTA-Opinion-102224wm.pdf>. The appeal illustrates the absurdity of the procedure. The unsuccessful appellant addressed the fact that taxpayers must rely on IRS procedures since there is no formal guidance from the FTB on how to revoke an AIC election. FTB only has published two Tax News articles, one in 2006 and one in 2025, and only began publishing guidance in its R&D Credit instructions in 2018. While the FTB's R&D Credit form historically has referenced the need for FTB consent to revoke an election, there is no guidance on the form on how to do this. Notably, none of the FTB's guidance provide taxpayers with citable authorities. It was not until February 27, 2024, that the FTB released FTB Notice 2024-01, which is somewhat more authoritative than a Tax News article or a form or instruction. Unfortunately, the FTB notice dances around the issue of FTB consent with respect to an AIC method revocation, not even mentioning the R&D credit. It also states under the “Automatic California Consent” section that FTB will grant automatic consent of an “accounting period or method” change if it would be eligible for automatic consent by the IRS. Even some of the most experienced California state tax experts would have difficulty interpreting this to mean that a taxpayer’s AIC method revocation is an accounting method change or that it requires advance explicit consent from the FTB to revoke. The appellant tried to pivot to language in R&TC §23051.5, which allows for separate state and federal elections, but the OTA pointed to a statutory carveout in R&TC §23609(h)(2) and determined—right or wrong—that the appellant could not use the federal revocation rules. California law is clear that a taxpayer’s election of the AIC or ASC method continues to apply “unless revoked with the consent of the Franchise Tax Board (R&TC §23609(h)(1)(B) for AIC and §23609(h)(2)(B)) for ASC. **This is the exact same language used in the IRC**, i.e., “unless revoked with the consent of the Secretary (former IRC §41(c)(4)(B) for AIC and IRC §41(c)(4)(C) for ASC). Therefore, FTB should be using the same procedure. The carve out of IRC §41(c)(4)(B) and IRC §41(c)(4)(C) should not change the answer since California uses the same language as federal law and since the FTB apparently found a way to conform to the federal procedure for the 2025 tax year.

⁴ The FTB's December 2025 Tax News article states, “SB 711 repeals the Alternative Incremental Credit (AIC) for taxable years beginning on or after January 1, 2025. If you previously elected the AIC, to continue receiving research credit for taxable years beginning on or after January 1, 2025, you must act. On your timely-filed original return for the 2025 taxable year, use FTB Form 3523 to elect either the regular incremental credit or the new Alternative Simplified Credit (ASC) [see below], or you can choose not to claim the research credit. **IMPORTANT:** A previous AIC election will not default to another credit.” See <https://www.ftb.ca.gov/about-ftb/newsroom/tax-news/index.html>.

⁵ SB 711 (Ch. 25-231) repealed the AIC method and adopted the federal ASC method beginning with the 2025 tax year.

years requires taxpayers to file IRS Form 3115, Application for Change in Accounting Method, to change R&D credit methods *before* the California tax return is filed. The FTB does not have its own version of IRS Form 3115, making the process even more confusing and burdensome for taxpayers.

Again, the IRS used this onerous procedure until 2001 when Treasury made a simple fix providing taxpayers with an *automatic consent* when electing a different R&D credit method. This allows taxpayers to elect a new method on the federal tax return *at the time of filing*.⁶ Congress sponsored this change because they recognized the pitfalls of requiring taxpayers to obtain explicit consent before filing their tax returns.

Congress changed the procedure in order to **reduce the compliance burden and increase simplification**—for both taxpayers and the IRS. Some of the context and rationale used by Congress included:

- The AIC election and revocation rules—particularly the older requirement of explicit IRS consent—imposed a **significant compliance burden**. As they do now for the FTB, taxpayers had to file special requests, wait for approval, and maintain strict documentation. This was especially awkward if business circumstances changed, e.g., R&D intensity changed or growth slowed.
- Congress recognized that the decision to switch methods could be handled simply and efficiently via the normal tax-return process. That lowered paperwork and administrative overhead, for both taxpayers and the IRS.
- By reducing the friction for taxpayers to switch methods, the rule better aligned with the overall goal of the R&D Credit to incentivize — not penalize — innovation and R&D activity.

Conforming to the federal procedure is the very type of recommendation that the FTB TRA should make as it is a recurring problem and in line with of the TRA's statutory responsibilities.

FTB's Response to Concern #1

The California Research Credit does not conform to federal “deemed consent” to revoke an Alternative Simplified Credit election.

⁶ While electing the AIC method never required IRS approval, from 1996 through 2000, explicit IRS consent was required to revoke the AIC method and switch to the regular method (IRC §41(c)(4)). However, Congress stopped the explicit consent requirement in 2001 through Treasury Reg. §1.41-8. As such, a taxpayer is “deemed to have requested, and to have been granted, the consent of the Commissioner to revoke an election ... if the taxpayer completes the portion of Form 6765 [Research Credit] ... and attaches it to a timely filed original return for the year of change.” Historically, however, taxpayers who elected the AIC method under IRC §41(c)(4) needed explicitly IRS consent to revoke that election and switch to the regular method.

For purposes of the California research credit, California Revenue and Taxation Code (R&TC) sections 17052.12 and 23609 modified the federal Alternative Simplified Credit (ASC) under Internal Revenue Code (IRC) section 41(c)(4). For example, R&TC section 17052.12(g)(2) states:

(B) Section 41(c)(4)(C) of the Internal Revenue Code shall not apply and in lieu thereof an election under Section 41(c)(4)(A) of the Internal Revenue Code may be made for any taxable year of the taxpayer beginning on or after January 1, 2025. That election shall apply to the taxable year for which made and all succeeding taxable years unless revoked with the consent of the Franchise Tax Board.

By statute, revocation of an ASC election requires the consent of the Franchise Tax Board. California does not conform to Treasury Regulation section 1.41-9(b)(3) relating to Revocation of the federal ASC.

R&TC section 23051.5(e) provides that a proper election filed with the IRS in accordance with the IRC or treasury regulations “shall be deemed to be a proper election for purposes of this part, unless otherwise expressly provided in this part or in regulations issued by the Franchise Tax Board.” R&TC section 17052.12(g)(2) and 23609(h)(2) each “otherwise expressly provide” that IRC section 41(c)(4)(C) shall not apply.

In situations where a taxpayer wishes to revoke an ASC election or to obtain treatment other than that elected for federal purposes, R&TC sections 17024.5(e) and 23051.5(e) require a separate election be filed with FTB, in the time and manner required by FTB, for example, by filing federal form 3115, Application for Change in Accounting Method, or federal form 1128, Application to Adopt, Change, or Retain a Tax Year. For more information, please reference FTB Notice 2024-01 and the General Information D, Accounting Period/ Method, section within the corporate business entity tax booklets.

Concern #2: Involve FTB Legal Counsel Before Audit Division Denies Certain Refund Claims

FTB should develop a process that allows FTB legal counsel to get involved with certain audits of refund claims **prior** to FTB auditors denying a refund claim. Such an informal process likely would **increase efficiency in tax administration and reduce taxpayer frustration and expenses** associated with lengthy controversies. It also would **reduce resource strains on both the FTB and OTA** by reducing the number of appeals, and thus, appeal withdrawals by the FTB, which currently stand at 511 for 2025, according to the OTA:⁷

⁷ These numbers were provided by the OTA on December 5, 2025. Note that settlements are not part of the FTB withdrawal numbers. Also note that the increase in withdrawals aligns with the overall growth in appeals at the OTA, which have more than doubled since 2018.

YEAR	SETTLEMENTS	FTB WITHDRAWALS	WITHDRAWALS ASSESSMENTS	WITHDRAWALS REFUND CLAIMS	WITHDRAWALS OTHER*
2025	36	896	376	511	9
2024	44	949	389	552	8
2023	36	794	303	478	13
2022	31	709	396	306	7
2021	35	463	237	221	5
2020	75	377	206	168	3
2019	25	434	267	162	5
2018	67	390	223	162	5

*Other are cases identified as innocent spouse relief.

Unfortunately, FTB does not advise the OTA of their reasons for withdrawing an appeal; therefore, OTA does not have that metric. The public, however, is made aware of withdrawals by the FTB, because the OTA announces them on their agendas. Here are a couple of examples:

The following cases were removed from this agenda:

V. Melton, 21047659
D. Palosi, 230513266

Taxpayer did not respond to the hearing notice.
During OTA review the FTB conceded the entire amount at issue.

The following cases were removed from this agenda:

A. Ralston and R. Ralston, 230513447
F. Fiore, 240817120

Taxpayers and FTB requested deferral of this case.
During OTA review the FTB conceded the entire amount at issue.

One reason appeals of denied refund claims, and thus withdrawals, might be increasing year after year, is because—more often than not—an FTB attorney doesn't review the case until the taxpayer appeals to the OTA. This is the complaint we often hear from tax practitioners, and this is what we want to fix.

Taxpayers should not be required to appeal to the OTA to get legal review of a refund claim when an auditor is applying the law incorrectly or inconsistently, uncertain about definitions, apportionment methodology, unitary business treatment or conformity rules, needs clarity on a technical topic, or is unclear on the right support to request.

While taxpayers do not have access to FTB legal review for refund claim denials, they do have access to legal review for **proposed assessments** through the statutory protest process.⁸ This process generally guarantees taxpayers with legal review if they request a hearing through a docketed protest. There is no similar law for refund claims, nor do we want one. A formal, statutory protest process for denied refund claims would slow down an already very slow process, as we know from our experience with the formal internal appeal process of denied refund claims at the California Tax and Fee Administration (CDTFA).⁹

Currently, especially with respect to complex multistate refund claims, auditors routinely consult FTB legal counsel. Although auditors may issue IDRs and questions to taxpayers based on these consultations, it is at the auditor's discretion whether the consulted FTB attorney will be allowed to directly communicate with the taxpayer. This can create inconsistencies between audits. Worse, auditors sometimes innocently miscommunicate what the FTB attorney has explained to the auditor, what to request from taxpayers, or how they view a particular issue. This can lead to delays and unnecessary correspondence that could be resolved simply by allowing taxpayers to meet directly the consulted FTB attorney and the auditor.

Direct communication between taxpayers and FTB attorneys (and auditors) also would enhance transparency and efficiency. The FTB itself would benefit as the FTB attorney would be able to directly ask the taxpayer questions. This could help narrow or resolve issues prior to a taxpayer's appeal to the OTA. In fact, it could prevent a taxpayer from having to file an appeal with the OTA.

⁸ R&TC §19041 provides for a protest process and R&TC §19044 allows taxpayers to request a protest hearing, generally triggered when a taxpayer requests a docketed protest.

⁹ If an auditor at the CDTFA determines that a taxpayer's refund claim should be denied, the taxpayer will receive an explanatory letter. Taxpayers who disagree with the denial may request an appeals conference with an attorney in the CDTFA's Appeals Bureau. If the CDTFA Appeals Bureau determines that the denial stands—or if the taxpayer does not request an appeals conference—the taxpayer will receive a Notice of Refund or Notice of Denial of Claim for Refund. The taxpayer may only appeal to the OTA if an "adverse Appeals Bureau decision" has been received (R&TC §§6901-6908, 6561-6566 and Gov't Code §15670, et al. and 18 CCR §30103).

Although FTB's reasons for appeal withdrawals are not tracked, we believe that the FTB's high rate of withdrawals is a direct consequence of the lack of communication between taxpayers and FTB legal counsel with respect to certain refund claims. By allowing taxpayers to request review by FTB legal counsel, many of these audits can be cleared up prior to filing an appeal with the OTA.

FTB's Response to Concern #2

Legal and Audit have a strong and collaborative relationship. They work closely together in various ways to help provide customer service to taxpayers and representatives by identifying common issues where further education or guidance would be helpful. While the Legal Division supports our Audit Division, it is important to allow each division to complete its own review and determination independently.

In addition, the Technical Resources and Services Bureau, or TRSB, is a bureau within the Audit Division which provides technical assistance and review throughout audit. During Audit's quality control process and procedures, auditors may refer cases or issues to their own technical review process. TRSB and other audit areas may also consult with the Legal Division as well during its process to seek additional clarification.

Overall, our auditors are strong technicians and have a variety of resources available to them throughout the department. As a result, we respectfully disagree that there is any material correlation between the rate of FTB's decisions to withdraw a case at OTA and the lack of technical knowledge in our Audit Division.

Concern #3: Provide Website Instructions on How to Obtain a Transcript

The FTB should provide instructions on its website on how to obtain a transcript. Whether by design or not, it is very difficult for taxpayers to determine how to obtain an FTB transcript.

A search on the IRS website for "order a transcript" returns 115 relevant results—or users can simply go directly to <https://www.irs.gov/individuals/get-transcript>. By contrast, entering the same search terms on the FTB's website produces 160 results, **none of which appear relevant** to ordering a transcript.

irs.gov/site-index-search?search=order+a+transcript&field_pup_historical_1=1&field_pup_historical=1

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How do I get a copy of my state tax return? | FTB.ca.gov

<https://www.ftb.ca.gov/.../how-do-i-get-a-copy-of-my-state-tax-return.html>
www.ftb.ca.gov/help/how-do-i-get-a-copy-of-my-state-tax-return

Sep 24, 2025 ... Include a check or money **order** for the total amount due, made out to the Franchise Tax Board. It may take up to four weeks from the date of ...

FTB 3516 - Request for Copy of Personal Income or Fiduciary Tax ...

<https://www.ftb.ca.gov/forms/misc/3516.pdf>
www.ftb.ca.gov/forms/misc
 File Format: PDF/Adobe Acrobat

Send a check or money **order** payable to the Franchise Tax Board for \$20 for each tax year you **request**. Mail your payment and this completed FTB 3516 to: Data ...

Wages (W2) | FTB.ca.gov

<https://www.ftb.ca.gov/file/personal/income-types/wages-w2.html>
www.ftb.ca.gov/file/personal/income-types/wages-w2

Sep 24, 2025 ... Wages are earnings from your employer. Your employer is required to report wage and salary information on the Wage and Tax Statement (IRS Form W ...)

FTB Publication 1008 | FTB.ca.gov

<https://www.ftb.ca.gov/forms/misc/1008.html>
www.ftb.ca.gov/forms/misc

Where To Get California Income Tax Forms. Website: ftb.ca.gov; Telephone: 800-338-0505; Mail: **TAX FORMS REQUEST UNIT MS D120 FRANCHISE** ...

Withholding orders | FTB.ca.gov

The IRS provides taxpayers with a number of ways to order a transcript, including online, by mail, by phone (automated line), by Form 4506-T (or 4506-C for lenders) or through the CAF Unit if there is a POA on file.

Access to account information through MyFTB is not equivalent to a transcript; it provides only partial information, such as limited payment history, certain notices, and abbreviated return summaries. Moreover, unlike the IRS, the FTB does not furnish wage and income transcripts.

Allowing easy access to taxpayers' transcripts would decrease frustration by tax professionals and taxpayers alike and save FTB resources, increasing efficiency in tax administration.

FTB's Response to Concern #3

Thank you for raising this issue. The Franchise Tax Board (FTB) does not offer a formal transcript; therefore, the website does not provide instructions. While transcripts are not offered, much of the same information such as tax computations and account details for both Personal Income Tax and Business Entity accounts is available through MyFTB. I appreciate your feedback and will work with FTB to address the need for clearer, and more prominent, guidance to help taxpayers understand how to access their tax information.

Concern #4: Simplify Power of Attorney (POA) Submission Process

The FTB should align its POA submission process with the IRS's well-regarded model. Tax practitioners raise concerns about the FTB's overly complicated POA procedures almost every year. Currently, to file a POA for a business entity with the FTB, tax practitioners must:

4.1) Practitioners must complete the POA form manually, either typing or writing answers in the required fields.

FTB's Response to Concern #4.1

Currently, FTB offers two secure, fully digital methods for submitting a POA through MyFTB—with no POA form, duplicate data entry, or wet signatures required. Many tax practitioners and taxpayers find this method more simple and effective to process their POAs. Beyond security for the practitioner, this option also offers pre-population of information such as demographics and representatives on the practitioner's associate list.

In lieu of a form submission, tax professionals can use the POA wizard in MyFTB without uploading a form by selecting "I am not attaching the taxpayer's authorization." The client/taxpayer must then approve the POA in their MyFTB account.

Alternatively, the taxpayer can submit a POA directly via their [MyFTB account](#). See [Help with Power of Attorney](#), How-to video [How to submit a POA – Mobile](#)

4.2) Practitioners must get a corporate officer, LLC manager, etc., to sign the form with a wet signature. Electronic signatures are not accepted even though the IRS has accepted electronic signatures since **2021**.

FTB's Response to Concern #4.2

Using the methods above (1) will alleviate the tax practitioner's need to collect signatures.

4.3) Practitioners must then enter into their MyFTB accounts the exact same responses they manually entered on the POA form. If they miss even one letter, FTB likely will reject the POA, but won't find out about it for two to four weeks.

FTB's Response to Concern #4.3

If the tax professional chooses to upload the POA, the information entered into the POA wizard must match the form. The FTB regularly receives POAs through MyFTB that don't match the POA form. In many cases, staff will update the POA to perfect what is listed on the form.

The only time the FTB rejects a POA in this scenario is if there are too many or too few representatives keyed into MyFTB than are listed on the POA form.

4.4) Practitioners must then scan the form—the form they now have completed twice—and upload it into the MyFTB system.

FTB's Response to Concern #4.4

The process shared in question #2 can help with this process. The practitioner doesn't have to use a form at all but can use the online process if they choose. FTB continues to investigate scan capture technology where the data from the uploaded POA will be captured and imported into the POA Wizard.

4.5) Practitioners who request full access to a client's account must then wait about three more weeks for the client to be notified by the FTB through U.S. mail of their "authorization code."

FTB's Response to Concern #4.5

There are several methods that exist to avoid waiting for U.S. mail.

- a. **Taxpayers with MyFTB:** If the taxpayer has a MyFTB account AND an email address and/or cell phone number associated with it, we will also text and/or email the authorization code.
- b. **Preapproval:** The client can call the FTB at 916.845.5525 to preapprove the tax professional and grant full online access. Once a valid POA/TIA is processed, FTB will grant immediate online access with this method; no authorization code is needed.

- c. Taxpayer can respond to FTB 1181 or FTB 1182 notice: If the taxpayer receives a Verify Power of Attorney notice (FTB 1181) or Verify Tax Information Authorization notice (FTB 1182), they should respond by calling FTB at 916.845.5525 to verify the relationship and grant full online account access. We will grant immediate online access with this method; no authorization code is needed.

For more information about online access, see [Help with Power of Attorney](#), How-to video [MyFTB limited vs full online access](#).

4.6) Practitioners must then obtain the authorization code from the corporate officer or other authorized individual—or, alternatively, request that the corporate officer or authorized individual call FTB's POA authorization line. Unsurprisingly, this step does not go over well with Fortune 500 CFOs or other corporate officers.

FTB's Response to Concern #4.6

There are several methods to authorize a POA. These methods are listed on the Full Online Account Access Requested (FTB 3911) notice. The taxpayer can choose ONE of the following methods:

- a. Go to ftb.ca.gov/Access and enter the authorization code. You will also need your identification number. You do not need a MyFTB account to use this option.
- b. Log in to their MyFTB account at ftb.ca.gov to authorize this request.
- c. Give the authorization code to their representative to complete the authorization process.
- d. Call 800.353.9032 and use our Interactive Voice Response system or speak to a customer service agent. The Taxpayer will need the authorization code and identification number.

As a reminder, the taxpayer does not have to wait for an authorization code. Taxpayers with a MyFTB account can login and grant online access through their MyFTB account or call 916.845.5525 *in advance of receiving the authorization letter*. MyFTB accounts are not limited to CFOs or other Fortune 500 corporate offices. Individuals such as employees, officers, or other business representatives of the business entity, who have authority to access confidential information and to transact business with FTB on the business entity's behalf, may also create MyFTB accounts for the business.

4.7) Practitioners must then log their MyFTB account and enter the authorization code or approved access by the POA authorization agent.

FTB's Response to Concern #4.7

See questions #5 and 6 above.

Concern #5: Clarify Power of Attorney (POA) Instructions (Second Request)

As requested at the 2024 FTB Taxpayers Bill of Rights hearing, FTB should add several clarifying instructions to Form FTB 3520-BE, POA for Business Entities, to improve tax administration.

When evaluating forms changes offered by the public, the FTB should make such changes when there is an “equitable benefit to all taxpayers,” as you stated in last year’s response. However, the POA for business entities is a form mostly used, if not exclusively used, by tax professionals, and not the general taxpaying population. Thus, the “equitable benefit” would be for tax professionals.

The FTB should address the gap in its instructions that we previously identified—specifically regarding R-7 filings, and separately, eligibility for suspended or forfeited entities. These two issues are common challenges for many tax professionals, and clear guidance would be beneficial. Even a few straightforward sentences could reduce the volume of inquiries tax practitioners and the FTB receive, thereby lowering administrative costs and alleviating frustration among tax practitioners.

First, tax practitioners can’t gain access to each R-7 entity’s online account in a unitary combined report just by filing a POA for the key corporation. Unfortunately, the FTB’s instructions only address filing a POA for the “key corporation.”¹⁰ In fact, the instructions imply that tax practitioners need only file a POA for the key corporation. But submitting a POA only for the key corporation does not provide tax practitioners with access to R-7 entities’ online accounts.

As stated last year, with the economic nexus rules, we have more new California taxpayers, and the FTB should be more helpful in this area. There does not appear to be a lack of space to add this simple sentence, possibly near the instruction that states that practitioners need to submit only one POA for the key corporation to cover all R-7 entities: **To obtain full online account access for one or more R-7 entities, you must file a separate POA for each individual R-7 entity for which you require account access.**

Second, the FTB should add instructions for suspended/forfeited R-7 entities to address whether they are allowed to file a POA and whether they can adversely impact a POA on file for the key corporation. For example, can the POA for a key corporation file a refund claim, protest, alternative apportionment petition, etc., if one of the R-7 entities is suspended/forfeited? This is a more common question than you think because we often find suspended/forfeited R-7 entities as part of the unitary combined return.

When we previously checked with FTB legal counsel on this question, we were told to call the Tax Practitioners’ Hotline. The Hotline said to call the POA Unit, and the POA Unit said that they are not allowed to talk with tax practitioners.

Adding some simple instructions would go a long way to fix these types of problems and avoid calls to the FTB from confused tax practitioners. Again, there does not appear to be a lack of space to add two sentences: **A suspended/forfeited business entity may file a**

¹⁰ The draft 2025 instructions state, as they have in years past, “If preparing this form for corporations who have elected to file a unitary taxpayers’ group tax return by filing Schedule R-7, Election to File a Unitary Taxpayers’ Group Return, and representation concerns matters related to the unitary taxpayers’ group tax return, do not attach a list of all members of the group. Only the ‘key corporation’ information is required in Part I.”

POA. Such entities that are part of a unitary group tax return and whose key corporation has a POA on file with the FTB will not adversely impact the POA of the key corporation.

Clarifying the POA instructions for business entities would not only be helpful to tax practitioners but likely would be helpful to FTB personnel as well, thus increasing efficiency in tax administration.

FTB's Response to Concern #5

The Tax Forms team has reviewed and discussed this suggestion. After considerable discussion, they determined the requested form and instruction changes would not resolve the matter at hand. Beyond this review, various business areas examined the issue globally and updated internal procedures to assist agents with these contacts.

Thank you for your time to attend the hearing and provide thoughtful input.

Sincerely,

A handwritten signature in black ink that reads "Angela Jones". The signature is fluid and cursive, with "Angela" on the top line and "Jones" on the bottom line.

Angela Jones
Taxpayers' Rights Advocate

cc: Malia M. Cohen

Sally J. Lieber

Joe Stephenshaw

Selvi Stanislaus

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