Tax News

February 2021

Contents

What's new for filing 2020 tax returns

Resident state tax filers list

For taxable years beginning on or after January 1, 2020, taxpayers will include the address and county of their principal residence on either:

- Form 540, California Resident Income Tax Return
- Form 540 2EZ, California Resident Income Tax Return

This is part of our annual reporting requirements to the jury commissioner.

Taxpayers are required to provide this information if both:

- They are 18 years of age or older
- Have filed a California resident income tax return for the preceding year

Dependent Exemption Credit with no identity

For taxable years beginning on or after January 1, 2018, taxpayers claiming a dependent exemption credit for a dependent who is ineligible for a:

- Social Security Number (SSN)
- Federal Individual Taxpayer Identification Number (ITIN)

May provide alternative information to the FTB to identify the dependent.

To claim the dependent exemption credit, taxpayers:

- Complete form FTB 3568, Alternative Identifying Information for the Dependent Exemption Credit
- Attach the form and required documentation to their tax return

Taxpayers may amend their 2018 and 2019 tax returns to claim the dependent exemption credit.

For additional information, get form FTB 3568 and Form 540, 540 2EZ, or Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, for specific line instructions.

Federal acts

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted on March 27, 2020, and the Setting Every Community Up for Retirement Enhancement (SECURE) Act was enacted on December 20, 2019.

In general, California Revenue and Taxation Code (R&TC) does not conform to the changes under these federal acts. California taxpayers continue to follow the Internal Revenue Code (IRC) as of the specified date of January 1, 2015, with modifications.

For more information regarding California conformity, get Schedule CA (540), California Adjustments – Residents, Schedule CA (540NR), California Adjustments - Nonresidents and Part-Year Residents, or Pub. 1005, Pension and Annuity Guidelines.

Paycheck Protection Program (PPP) Loan Forgiveness

For taxable years beginning on or after January 1, 2020, California provides an exclusion from gross income for covered loan amounts forgiven under the federal CARES Act, Paycheck Protection Program and Health Care Enhancement Act, or the Paycheck Protection Program Flexibility Act of 2020. For more information, see R&TC Section 17131.8.

The Consolidated Appropriations Act, 2021 was signed into federal law on December 27, 2020, allowing deductions for eligible expenses paid for with covered loan amounts that would be or would reasonably be expected to be forgiven under the PPP. California law does not conform to this federal provision. For California purposes, any credit or deduction allowed for any amount paid or incurred should be reduced by the amount of the exclusion allowed under the PPP. For more information, see Schedule CA (540) specific line instructions.

The Franchise Tax Board will be monitoring state legislation for any changes to this Act, but at this time, no bill has been introduced that addresses this topic.

CARES Act Qualified Employer Plan Loans

This is for taxable years beginning on or after January 1, 2020. California conforms to the qualified employer plan loans provision under the federal CARES Act. If the employer meets requirement, this provision temporarily:

- Increases the amount of loans allowable from a qualified employer plan to $100,000 for coronavirus-related relief.
- Delays by one year the due date for any repayment for an outstanding loan from a qualified employer plan.

Consolidated Appropriations Act: California law does not currently conform to the deductibility of expenses under the Paycheck Protection Program (PPP). This program was included in federal legislation that passed on December 21 for the Consolidated Appropriations Act 2021 (H.R. 133). We will monitor state legislation for any changes to this issue. At this time, no bill has been introduced that addresses this topic.

Use the guidelines in FTB Publication 1001, Supplemental Guidelines to California Adjustments, to make adjustments to federal amounts that are necessary because of law differences between California and federal law.

Expansion for credits eligibility

For taxable years beginning on or after January 1, 2020, California expanded the eligibility for the:

- Earned Income Tax Credit (EITC)

- Young Child Tax Credit (YCTC)

This expansion will allow either the federal ITIN or the SSN to be used by all eligible:

- Individuals.
- Their spouses.
- Qualifying children.

Visit our EITC/YCTC webpages or get form FTB 3514, California Earned Income Tax Credit for more information.

Worker Status: Employees and Independent Contractors

Some individuals may be classified as:

- Independent contractors for federal purposes and.
- Employees for California purposes.

This may also cause changes in how their income and deductions are classified.

For more information, visit:

- Instructions for California Schedule CA (540).
- Instructions for Schedule CA (540NR).
- Our Worker classification and AB 5 webpage.

Minimum Essential Coverage Individual Mandate

For taxable years beginning on or after January 1, 2020, California requires residents and their dependents to:

- Obtain and
- Maintain minimum essential coverage (MEC)

This is referred to as qualifying health care coverage.

Individuals who fail to maintain qualifying health care coverage for any month during taxable year 2020 will be subject to a penalty. Unless, they qualify for an exemption.

For more information, see specific line instructions for Form 540, Form 540NR and Form 540 2EZ or get the following new health care forms, instructions, and publications:

- Form FTB 3849, Premium Assistance Subsidy
- Form FTB 3853, Health Coverage Exemptions and Individual Shared Responsibility Penalty
- Form FTB 3895, California Health Insurance Marketplace Statement
- Publication 3849A, Premium Assistance Subsidy (PAS)
- Publication 3895B, California Instructions for Filing Federal Forms 1094-B and 1095-B
- Publication 3895C, California Instructions for Filing Federal Forms 1094-C and 1095-C

Rental real estate activities

For taxable years beginning on or after January 1, 2020, the dollar limitation for the offset for rental real estate activities shall not apply to the low income housing credit program. For more information:

- R&TC Section 17561(d)(1)
- R&TC Section 24692(e)(1)
- Form FTB 3801-CR, Passive Activity Credit Limitations
- Form FTB 3802, Corporate Passive Activity Loss and Credit Limitations

Sales and Use Taxes

For taxable years:

- Beginning on or after January 1, 2020, and
- Before January 1, 2023

A taxpayer who has made an irrevocable election with the California Department of Tax and Fee Administration (CDTFA) to apply a qualified motion picture tax credit against qualified sales and use taxes shall not receive:

- Refunds or
- Credit offsets in excess of $5,000,000, for any taxable year

A taxpayer may use the credit amount, or assigned portion, that exceeds the $5,000,000 limitation against the qualified sales and use tax imposed during the reporting periods in the five years following, including the reporting period beginning on and after January 1, 2024.

This limitation does not apply to irrevocable elections made prior to January 1, 2020. For more information, get FTB 3541, California Motion Picture and Television Production Credit.

Applicable percentage

The applicable percentage for purposes of determining the Low-Income Housing Credit (LIHC) amount has been expanded. For more information get form FTB 3521, Low-Income Housing Credit.

Allocation to partners

The sunset date for the requirement that a partnership allocate the LIHC among partners based upon the partnership agreement was removed. For more information, get form FTB 3521.

Sale of credit

The sunset date regarding the provision that a taxpayer may make an election to sell all or any portion of the LIHC subject to certain conditions was removed. A taxpayer may make a one-time revocation of the election to:

- Sell all or,
- Any portion of the LIHC at any time.

Before the California Tax Credit Allocation Committee (CTCAC) allocates a final credit amount for a project, at which point, the election would become irrevocable.

Get form FTB 3521 for more information.

Extension for estimated tax installments

Due to the COVID-19 pandemic, the due date for filing 2019 tax returns was extended to July 15, 2020. If your estimated tax installments were due from March 12, 2020, through July 15, 2020, the due dates for those payments were also extended to July 15, 2020. For more information get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries or form FTB 5806, Underpayment of Estimated Tax by Corporations.

R&TC Section 41 Reporting Requirements

Beginning in taxable year 2020, California allows individuals and other taxpayers operating under the personal income tax law to claim credits and deductions of business expenses paid or incurred during the taxable year in conducting commercial cannabis activity. Sole proprietors conducting a commercial cannabis activity that is licensed under California Medicinal and Adult-Use Cannabis Regulation and Safety Act (CA MAUCRSA) should file form FTB 4197, Information on Tax Expenditure Items. The FTB uses information from form FTB 4197 for reports required by the California Legislature. Get form FTB 4197 for more information.

Special Reporting for R&TC Section 41

Beginning in taxable year 2020:

- Partners
- Members
- Shareholders
- Beneficiaries of pass-through entities

Conducting a commercial cannabis activity licensed under the California Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) should file form FTB 4197, Information on Tax Expenditure Items. We use the information from form FTB 4197 for reports required by the California Legislature.

If the partnership/LLC/corporation/trust conducted a commercial cannabis activity licensed under the California MAUCRSA, or received flow-through income from another pass-through entity in that business, attach a schedule to the Schedule K-1 showing the breakdown of the following information:

- The partner's/member's/shareholder's/beneficiary's share of total deductions related to the cannabis business, including deductions from ordinary income.
- The partner's/member's/shareholder's/beneficiary's share of total credits related to the Cannabis business.

Get form FTB 4197 for more information.

New Donated Fresh Fruits or Vegetables Credit

For taxable years beginning:

- On or after January 1, 2020, and
- Before January 1, 2022

The list of qualified donation items has been expanded to include:

- Raw agricultural products
- Processed foods

Get form FTB 3814, New Donated Fresh Fruits or Vegetables Credit, for more information.

Natural Heritage Preservation Credit

The Natural Heritage Preservation Credit expired on June 30, 2020. All qualified contributions must have been made on or before that date. For more information, get form FTB 3503, Natural Heritage Preservation Credit.

Program 3.0 California Motion Picture and Television Production Credit

For taxable years beginning on or after January 1, 2020, California R&TC Sections 17053.98 and 23698 allow a third film credit, program 3.0, against tax. The credit is allocated and certified by the California Film Commission (CFC). The qualified taxpayer can:

- Offset the credit against income tax liability.
- Sell the credit to an unrelated party (independent films only).
- Assign the credit to an affiliated corporation.
- Apply the credit against qualified sales and use taxes.

For more information:

- Get form FTB 3541 or form FTB 3551, Sale of Credit Attributable to an Independent Film
- Visit our California motion picture and television production credit webpage
- Visit CFC website and search for incentives

Main Street Small Business Tax Credit

For the taxable year beginning:

- On or after January 1, 2020, and
- Before January 1, 2021

A Main Street Small Business Tax Credit is available to a qualified small business employer that received a tentative credit reservation from the California Department of Tax and Fee Administration (CDTFA).

Get form FTB 3866, Main Street Small Business Tax Credit, for more information.

New Advanced Strategic Aircraft Credit

For taxable years beginning:

- On or after January 1, 2020, and
- Before January 1, 2026

California allows the new advanced strategic aircraft credit to reduce tax below the tentative minimum tax.

Exemption from First Taxable Year Annual Tax

For taxable years beginning on or after January 1, 2021, and before January 1, 2024, LPs, LLPs, and LLCs that either:

- Organize
- Register
- File

With the Secretary of State to do business in California are exempt from the annual tax for their first taxable year.

Pass-Through Entity Annual Withholding Return

For taxable years beginning on or after January 1, 2020, a pass-through entity must use Form 592-PTE, Pass-Through Entity Annual Withholding Return, to report the total withholding:

- On behalf of a nonresident owner
- If it has been withheld upon

Get Form 592-PTE for more information.

Payment Voucher for Pass-Through Entity Withholding

For taxable years beginning on or after January 1, 2020, a pass-through entity must use Form 592-Q, Payment Voucher for Pass-Through Entity Withholding, to remit the withholding payments. For more information, get Form 592-Q.

Real Estate Withholding Statement

Effective January 1, 2020, the new Form 593, Real Estate Withholding Statement consolidated:

- Real estate withholding forms.
- Real estate withholding instructions.

Get Form 593 for more information.

Net Operating Loss Suspension

For taxable years beginning:

- On or after January 1, 2020, and
- Before January 1, 2023

California has suspended the net operating loss (NOL) carryover deduction.

Taxpayers may continue to compute and carryover an NOL during the suspension period. However, taxpayers with either:

- Net business income
- Modified adjusted gross income (PIT taxpayers)
- Taxable income (corporate taxpayers)

Of less than $1,000,000 or with disaster loss carryovers are not affected by the NOL suspension rules.

The carryover period for suspended losses is extended by:

- Three years for losses incurred in taxable years beginning before January 1, 2020.
- Two years for losses incurred in taxable years beginning on or after January 1, 2020, and before January 1, 2021.
- One year for losses incurred in taxable years beginning on or after January 1, 2021, and before January 1, 2022.

For more information, see R&TC Sections 17276.23 and 24416.23.

Excess Business Loss Limitation

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act made amendments to IRC Section 461(l) by:

- Eliminating the excess business loss limitation of noncorporate taxpayers for taxable year 2020
- Retroactively removing the limitation for taxable years 2018 and 2019

California does not conform to those amendments.

For taxable year 2020, complete form FTB 3461, California Limitation on Business Losses, if both:

- You are a noncorporate taxpayer
- Your net losses from all of your trades or businesses are more than $259,000 ($518,000 for married taxpayers filing a joint return)

Credit Limitation

There is a $5,000,000 limitation on the application of credits for taxpayers for taxable years:

- Beginning on or after January 1, 2020, and
- Before January 1, 2023.

For personal income tax filers, the total of all business credits including the carryover of any business credit for the taxable year may not reduce the “net tax”, by more than $5,000,000.

For corporate taxpayers, the total of all credits including the carryover of any credit for the taxable year may not reduce the "tax", by more than $5,000,000.

For taxpayers included in a combined report, the limitation is applied at the group level. The credits disallowed due to the limitation may be carried over. The carryover period for disallowed credits is extended by the number of taxable years the credit was not allowed. This limitation does not apply to the Low-Income Housing Credit.

Deployed Military Exemption

For taxable years:

- Beginning on or after January 1, 2020, and
- Before January 1, 2030

A corporation that is a small business solely owned by a deployed member of the United States Armed Forces shall not be subject to the minimum franchise tax if both:

- The owner is deployed during the taxable year
- The corporation operates at a loss or ceases operation

Deployed Military Exemption

For taxable years:

- Beginning on or after January 1, 2020, and.
- Before January 1, 2030.

An LLC that is a small business solely owned by a deployed member of the United States Armed Forces shall not be subject to the annual tax if both:

- The owner is deployed during the taxable year
- The LLC operates at a loss or ceases operation

Application and filing fees for exempt organizations

Beginning January 1, 2021, exempt organizations are no longer required to pay:

- The $25 fee when submitting form FTB 3500, Exempt Application, or
- The $10 annual information return filing fee for form FTB 199, California Exempt Organization Annual Information Return

In addition, the $15 increase for failure to pay the annual information return filing fee timely is eliminated.

Designated Census Tracts

The Designated Geographic Area (DGA), which is required to determine a qualified employee, includes census tracts designated by the Department of Finance (DOF). The DOF re-designated the census tracts effective January 1, 2020. Qualified employees hired prior to the redesignation remain eligible for the full 60 months from the date of hire even if the location where they perform their work is not part of the re-designated census tracts. Visit our New Employment Credit webpage for more information.

Compliance effort for FTB 3840, California Like-Kind Exchanges letters continues

We are continuing compliance efforts for FTB 3840, California Like-Kind Exchanges. We previously contacted taxpayers who were identified as having or potentially having an FTB 3840 filing requirement in tax year 2016 and tax year 2017. The letters requested taxpayers to file FTB 3840 or to provide additional property information.

Beginning in February 2021, we will mail follow up letters to those taxpayers who did not respond to our initial request. The follow-up letter will have a 30-day response time. Failing to respond to this letter may result in additional contact from the Audit Division.

We will also mail initial compliance letters for tax year 2018 beginning in March of 2021.

Taxpayers must report a like-kind exchange on California Like-Kind Exchanges (FTB 3840) if the following occurs:

- One or more California real properties are exchanged for one or more real properties located outside of California; and
- Any portion of the California sourced realized gain or loss is not recognized pursuant to an IRC section 1031 like-kind exchange.

FTB 3840 must be filed in the year the like-kind exchange occurs and every year thereafter as long as the gain or loss is deferred. The reporting continues until one of the following occurs:

- The deferred California sourced gain or loss is recognized on a California return
- The property is transferred through inheritance, eliminating the deferred California source gain or loss
- The replacement property is donated to a non-profit organization

In addition, if the out-of-state replacement property is later exchanged for another property as part of a tax-deferred exchange, an FTB 3840 is still required because the gain or loss deferral continues.

Visit the Instructions for Form FTB 3840 California Like-Kind Exchanges on our website for additional information.

2020 Taxpayers' Bill of Rights Hearing

The Taxpayers' Bill of Rights Hearing takes place annually during the last quarterly Franchise Tax Board meeting of each year.

The Hearing provides the opportunity to present to the three-member Franchise Tax Board proposals for changes to California's tax laws along with any suggestions on how FTB can improve the services we provide to:

- Industry representatives
- Tax professionals
- Individual taxpayers

The 2020 Hearing was held on Friday, December 18, 2020. If you were interested in the hearing, but were unable to attend or follow it live online, you can always access an archived video of this and other public meetings on our Franchise Tax Board Meetings webpage. Some of the suggestions brought forward at the most recent Hearing requested FTB to continue partnering with Covered California to generate awareness about the individual health care mandate and that FTB provide additional clarity regarding what constitutes "doing business" in California under Revenue and Taxation Code Section 23101(a).

After the Hearing, the Taxpayers' Rights Advocate's Office works closely with business areas within FTB to prepare written responses to the suggestions and issues raised at the Hearing. Currently, there are several prior years' responses available on the Taxpayers' Rights Advocate page at Taxpayers' Bill of Rights Hearing Responses. We anticipate that the responses for the 2020 Hearing will be completed by early February 2021. These will be available online once they are provided to the respective presenters.

2020 health care forms now available

Now available on our website, final California 2020 health care forms and instructions for the:

- Minimum Essential Coverage Individual Mandate
- Premium Assistance Subsidy
- Individual Shared Responsibility Penalty

We published a Tax News article in December 2020 with information about the new health care forms. As a reminder, your clients will need to provide you with the following health care forms for return preparation (where applicable):

- FTB 3895, California Health Insurance Marketplace Statement
- Form 1095-A, Health Insurance Market Place Statement
- 1095-B, Health Coverage
- 1095-C, Employer-Provided Health Insurance Offer and Coverage

2020 Health Care Forms

- FTB 3849, Premium Assistance Subsidy
- FTB 3853, Health Coverage Exemptions and Individual Shared Responsibility Penalty
- FTB 3895, California Health Insurance Marketplace Statement
- Publication 3949A, Premium Assistance Subsidy
- Publication 3995B, California Instructions for Filing Federal Forms 1094-B and 1095-B
- Publications 3895C, California Instructions for Filing Federal Forms 1094-C and 1095-C

The Franchise Tax Board and Covered California continue to work together to administer the new Minimum Essential Coverage Individual Mandate. Visit our Health Care Mandate webpage for up-to-date information.

Enrolled agents can now represent cannabis businesses

At the end of 2020, Governor Newsom signed Assembly Bill (AB) 1525 into law. AB 1525, which added Section 26260 to the Business and Professions Code, specifies that the following institutions won't be in violation of California state laws by providing their services to licensed cannabis businesses:

- Banks
- Credit unions
- Savings associations
- Other financial institutions

Under subdivision (d) of Section 26260 an individual or firm that practices public accounting does not commit a crime under California law solely for providing professional accounting services to persons licensed to engage in commercial cannabis activity. Public accounting, which is defined by Business and Professions Code section 5051, includes preparing or signing tax returns for clients as the tax preparer.

This applies to California Board of Accountancy (CPAs), but a question has arisen as to if the law also protects IRS enrolled agents (EAs), registered tax preparers, and California Tax Education Council (CTEC) registered tax preparers, if they have licensed cannabis businesses as clients.

Because a tax preparer who prepares or signs tax returns for clients is engaged in the practice of public accountancy AND because the new law states that persons or firms engaged in the practice of public accountancy do not violate California law for providing services to a licensed cannabis business, preparing a tax return for them does not violate California law.

Therefore, if an EA, CPA or CTEC prepares or signs a licensed cannabis business' tax return, he or she is not in violation of California law.

Common income tax issues

To help you and your clients prepare for this filing season, we listed some of the most common audit issues we encounter for individuals and business entity taxpayers. .

Common issues for individual taxpayers include:

- Sales of personal or real property, including like-kind exchanges
- Owner's basis in a pass-through entity
- Sales of interests in a pass-through entity
- Characterization and sourcing of Income
- Sheltering income in tax avoidance strategies
- Determining California residency status

Some audits of like-kind exchanges are the result of incomplete, missing, or improperly completed forms. Visit our related article this month, Compliance effort for FTB 3840, California Like-Kind Exchanges letters continues.

Common issues for business entity taxpayers include:

- Business Credits (e.g., Research credit)
- Apportionment and allocation of income

A trade or business subject to California apportionment or allocation rules can include corporations, limited liability companies, partnerships and sole-proprietorships.

We continue to offer flexibility in our audit activities as we all address the changing times. Together, we will continue to find solutions to keep our audits moving towards successful resolutions.

New Chief Counsel Rulings: Assignment of sales of tangible personal property

In December, we released two Chief Counsel Rulings on guidance as to the assignment of sales of tangible personal property for California franchise and income tax purposes:

- Chief Counsel Ruling 2020-01
- Chief Counsel Ruling 2020-02

An FTB Chief Counsel Ruling is a written statement issued to a taxpayer by our Chief Counsel that interprets California income or franchise tax law and applies it to a taxpayer's specific set of facts.

Visit our Chief Counsel Ruling webpage for different ruling topics.

Need a speaker for your next event?

Education and outreach plays an important role in communicating information to taxpayers, tax professionals, and other external stakeholders. Our Speakers' Bureau fulfils this need. It provides nonprofit organizations (including tax professionals), community groups, and government-funded educational institutions with specific information about California tax matters. Speakers typically make presentations to groups of 25 or more and speak on topics such as California Tax Updates, the Forms of Ownership – for small businesses, and other topics.

Currently, we are speaking remotely and we look forward to events where we can meet again in person. Depending upon availability presentations are available in languages other than English.

You may submit a request for your event through our Speakers' Bureau email address at SpeakersBureau@ftb.ca.gov and include the following information:

- Name
- Phone number
- Organization
- Event's organizer: name, date, location and address
- Event date and time, and the speaker's time
- Requested topic(s)
- Number of attendees
- Materials/biography deadlines
- Special requirements

Franchise Tax Board participates in "Taxpayer Beware" podcast

We will participate in the California Tax Education Council's (CTEC) new podcast called "Taxpayer Beware" launching February 8. CTEC created the podcast to help educate taxpayers about how to find a California approved tax professional and avoid fraud.

CTEC will promote multiple podcast episodes during the 2021 tax season. Two episodes will focus on tax preparers who do not sign client tax returns, also known as 'ghost' tax preparers.

The two part episode titled, "The Scary Truth about Ghost Tax Preparers," will provide testimonials from CTEC board members about issues clients have faced with ghost tax preparers. Our public affairs, as well as our Compliance and Discovery Section for CTEC, will provide insight on enforcement efforts and scams taxpayers should watch out for.

You can also download additional episodes.

From State Controller's Office: Extended deadline for life insurance company unclaimed property remit reports and remittances approaches

In April 2020, State Controller Betty T. Yee postponed the final filing date for life insurance companies to submit their reports of unclaimed property due to the COVID-19 pandemic. Life insurance companies, which normally would have submitted their unclaimed property Remit Reports and Remittances to the State Controller's Office (SCO) from December 1 through 15, 2020, must now submit them from February 1 through 15, 2021.

For more information or to request one-on-one assistance with reporting and remitting unclaimed property to the state, contact the Outreach and Compliance Unit with the Unclaimed Property Division of SCO at updholderoutreach@sco.ca.gov.

All About Business

Blank or incomplete corporation tax returns

We have received corporation tax returns filed with blank or incomplete forms and schedules. These returns are submitted with no information regarding the corporation's:

- Gross income
- Deductions
- State adjustments
- California apportionment

There are several risks associated with filing an incomplete tax return. Under certain circumstances when a return does not contain sufficient data to allow for the calculation of tax, an incomplete tax return may not be considered a valid return and may not be sufficient to trigger the running of the statute of limitations for that year. In this case, we may demand that a valid return be filed, and may issue a notice of proposed deficiency assessment to the corporation based on a reasonable income estimate if no valid return is filed.

A corporation is required to file the appropriate form (California Form 100 or 100W) if it is doing business within California and pay the appropriate tax and fee. To help you better understand what is required to file, please refer to California Form 100/100W Corporation Tax Booklet and Instructions. If your corporation is inactive, refer to FTB Publication 1038 for information regarding dissolving, surrendering, or cancelling a business entity.

In some cases, incomplete tax returns are filed by corporations that are relying on a federal provision, Public Law (PL) 86-272, that preempts states, including California, from taxing business entities. A corporation asserting immunity under PL 86-272 is not required to include its net income or loss for California purposes on Line 18 of Form 100/100W. For processing purposes, it is helpful if you indicate on the return that you are asserting PL 86-272 immunity when leaving Line 18 blank. Please refer to *FTB Publication 1050* for more information regarding the application and interpretation of PL 86-272.

We encourage you to consult with a tax professional knowledgeable in California tax law to assist you in filing a complete tax return with all the necessary forms and schedules.

Event Calendar

As part of education and outreach to our tax professional community, we participate in many different presentations and fairs. We provide a calendar that shows the events we attend (virtually), as well as other events happening with us, such as interested party and board meetings.