



# Tax News

July 2021

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## Electronic Signatures Accepted Through December 31, 2021

We recently updated our COVID-19 FAQ webpage to state that for paper returns and other documents that must be signed with an original signature by a taxpayer and/or tax representative, we will not require an original signature through December 31, 2021, except for Power of Attorney (POA) forms. POA forms will still require an original signature. Follow the instructions on [Submit a power of attorney](#), if you need to submit a POA.

## Available Resources for Small Business Owners

We would like to remind you of the many resources that are available for small business owners. Experience has shown that informed taxpayers are generally the most compliant. In an effort to provide as much information as possible, FTB, along with other California State Agencies, have created informative websites and publications that can assist you and your small business clients.

### Informative Websites:

- [FTB](#) – We have a [Business](#) section that provides useful links and information about various topics that are important for small business owners, such as filing requirements, [current tax rates](#), and important [due dates](#). Online services such as [Web Pay](#) and [MyFTB](#) are convenient ways for you or your clients to pay electronically and to have secure online access to your or your clients' FTB accounts. There is also a [Business help](#) webpage that includes [Revivor information](#) if a business is suspended, and links for information on how to dissolve or cancel a business entity.
- [Governor's Office of Business and Economic Development](#) (GO-Biz) – GO-Biz offers a website, the [California Business Portal](#) that features a business navigator, quick start guides, and links to financial assistance. If you or your clients are in need of permit assistance, [CalGold](#) is a website that can point you in the right direction regarding which permits and licenses are needed for a particular business and location.
- [Small Business Assistance Center](#) – The Small Business Assistance Center is another great resource located at [California Tax Service Center](#) or [taxes.ca.gov](#). This website is sponsored by the State of California and contains useful information for all aspects of a business.
- [California Secretary of State](#) (SOS) – This website has a [Business](#) section that allows you to [search](#) for and access all public records for an entity, to find [forms](#) to start or dissolve/cancel a business entity, and even file statements of information online.

### Publications:

- [FTB 1123, Common Forms of Ownership](#) – This publication is a comprehensive resource providing general information and filing requirements for different forms of business ownership. For a business owner, one of the most important decisions is which form of

business ownership will best fit their business needs. FTB 1123 provides the information needed to make an informed decision.

- [FTB 984, \*Common Business Expenses\*](#) – This publication discusses the most common business expenses.
- [FTB 3556, \*General LLC Information\*](#) – This publication specifically deals with Limited Liability Companies (LLCs) and how they are considered hybrid business entities with characteristics from corporations and partnerships.
- [FTB 1060, \*Guide for Corporations Starting Business in California\*](#) – This guide explains the filing requirements for corporations.

Whether you or your small business clients are just starting out, or already have an established business, there are plenty of resources available that can help you along the way. Be sure to take advantage of these opportunities today.

## 2021 Filing Season Update

Now that the initial filing deadline has passed, we wanted to provide an update on some key statistics for the first part of the 2021 filing season. Both the IRS and FTB had an extended filing season this year with the initial due date for returns and payments postponed to May 17, 2021.

While the processing and validation of all returns and payments continues, as of mid-June 2021, the year-to-date filing season highlights are as follows:

- Personal Income Tax (PIT) returns filed totaled 17.8 million, with 16.5 million e-filed (93%).
- The volume of PIT refunds issued totaled 13.0 million, with an average refund of \$1,031.
- Total PIT and BE payments processed totaled \$56.2 billion, with 56% of payments being made electronically.
- Level of access in our Contact Center was 59% for the week of the May 17th due date, and is at 58% for the year, serving over 660,000 customers.

Not surprisingly, the two most visited webpages were the Golden State Stimulus and Check Your Refund, with more than 8.2 million visits combined.

We hope to be able to update you again once we are through the 2021 filing season.

## A reminder to have your clients sign up for a MyFTB account

We want to remind you and your clients about the importance and convenience of signing up for a [MyFTB account](#). This is a great time to suggest to your clients that they create an account with us and take advantage of the many benefits and features available in MyFTB.

Benefits to you and your clients include online access to their tax returns, replying to correspondence, and viewing up-to-date account information. The ability to view current balances, make secure electronic payments, to see if returns were processed, and the status of a refund are all helpful tools that are available with MyFTB.

If you or your clients have a question about their FTB account, either of you can securely chat with our helpful customer service representatives. This is an important feature because MyFTB secure chats are often answered sooner than a phone call.

Visit [MyFTB Features](#) for more information about MyFTB.

## Ask the Advocate

Expect notices to go out soon



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[twitter.com/FTBAdvocate](https://twitter.com/FTBAdvocate)

Once we process all incoming returns and payments, notices will start going out for some returns. Given the time-sensitive nature of our notices, working through the normal channels with the program area identified on them, is the most efficient way to quickly resolve any issues. It is also the first step in the problem resolution process.

If your client disagrees with a notice, or we are requesting information, here are the normal channels to use for three of our most common notices.

### [Notice of Tax Return Change:](#)

When we change or correct your client's tax return during processing, we send this notice to provide an explanation of the specific changes made. Common changes can include:

- Withholding or payments don't match our records
- Your client doesn't qualify for a tax credit

- We applied the refund to a past tax debt

Specific codes are used to identify the reason(s) for these change and are provided with the notice. A search on our website for: notice of tax return change, will also provide a detailed description of the related codes, and information about what to do for each code. Some of our recommendations include:

- Comparing the amounts reported on the return to the tax documents used to prepare the return, e.g., W-2s, proof of payment, and other tax related documents
- Verifying math computations
- Contacting our:
  - Filing Compliance Bureau at (916) 845-7088
  - Withholding Services and Compliance section (non-wage withholding) at (888) 792-4900
  - Customer Service line (800) 852-5711 for Head of Household information
- Faxing supporting information, including a copy of the Notice of Tax Return Change to (916) 843-5443

#### [Additional Documentation Required – Refund Pending:](#)

For the California Earned Income Tax Credit (Cal EITC) and/or Young Child Tax Credit (YCTC), if we do not have enough information to approve the credit(s) claimed on your client's tax return, we will send this notice. The specific supporting documents needed are identified and listed on this notice and may be faxed or mailed to:

- **Fax** - (916) 845-9351
- **Mail** - Filing Compliance Bureau MS F151  
Franchise Tax Board  
PO Box 1468  
Sacramento CA 95812-1468

\*Please include a copy of the, Additional Documentation Required – Refund Pending Notice, with your supporting information.

#### [Notice of State Income Tax Due:](#)

This notice is issued when your client has a past due balance on their personal income tax account, often caused when:

- A penalty is assessed
- A payment is dishonored, and/or
- A return is filed, but a balance is due

For the tax year indicated, this notice provides the total account balance, a summary of the balance due, and a brief paragraph to explain why the taxpayer is receiving the notice.

If your client does not owe the balance stated, or if there are any questions concerning our collection process or procedures, please first contact us at (800) 689-4776.

Supporting information such as:

- Any relevant tax documents used to prepare the return
- Proof of payment (for example, cancelled check, transaction number, etc.)

May be mailed to:

Franchise Tax Board  
PO Box 942840  
Sacramento CA 94240-0040

\*Please include a copy of the Notice of State Income Tax Due. If the documents provide enough proof, we'll make corrections and contact your client.

If you are an authorized representative, you can save time and view your clients' notices in [MyFTB](#) and even upload supporting documents into your clients' MyFTB account.

Skipping the first step to resolve your clients' issues through the normal channels can actually slow down the resolution process. The TRA0 team is often able to redirect your request to the different business areas within FTB, but we may be unable to accept your client's case for resolution unless it meets our [Taxpayer Advocate criteria](#).

## Alternative Identifying Information for Certain Dependents under California law

For taxable years 2018 through 2025, the federal Tax Cuts and Jobs Act changed the federal dependent exemption deduction amounts to \$0. However, California continues to allow Dependent Exemption Credits to personal income taxpayers with dependents, including dependents residing in Mexico or Canada. However, not all dependents who qualify under California law will have either a social security number (SSN) or an individual taxpayer identification number (ITIN).

**[FTB Notice 2021-01](#)**: Procedures to Provide Alternative Identifying Information for Certain Dependents under RTC 17054(d), related to Claiming Dependent Exemption Credits was published on June 4, 2021. This Notice prescribes the procedures for providing alternative identifying information for dependents who are ineligible to receive either an SSN or ITIN, in order to claim a Dependent Exemption Credit.

Taxpayers must complete and attach form FTB 3568, *Alternative Identifying Information for the Dependent Exemption Credit*, for each foreign dependent with the taxpayer's completed California personal income tax return and provide supporting documentation such as a copy of each dependent's passport or national identification card.

It's important to note that the alternative identifying information procedures in this Notice may only be used for the Dependent Exemption Credit. They cannot be used for any other credits, such as the California Earned Income Tax Credit or Young Child Tax Credit.

## Common Errors Made on Form 593, Real Estate Withholding Statement

We recently sent this article out to the public for anyone who files FTB Form 593, Real Estate Withholding Statement. If you have clients who submit Form 593 with us, it may be useful.

If you are a remitter who submits real estate withholding forms and payments to the Franchise Tax Board, use these tips to ensure proper submission and to avoid errors that could result in the assessment of penalties and interest.

Issue	Resolution
Forms with incorrect tax year are submitted.	Submit the form for the tax year the sales transaction took place. For example, if the transaction occurred on October 1, 2020, please submit the 2020 Form 593.
Modifications are made to the form.	Do not modify forms.
Incorrect or obsolete forms are submitted.	As of 2020, do not submit: <ul style="list-style-type: none"><li>• Form 593-C, <i>Real Estate Withholding Certificate</i></li><li>• Form 593-E, <i>Real Estate Withholding - Computation of Estimated Gain or Loss</i></li><li>• Form 593-I, <i>Real Estate Withholding Installment Sale Acknowledgment</i></li></ul>
The Amended box is checked in error.	Review the form thoroughly to ensure this box is not improperly checked.
The Perjury Statement isn't complete.	Seller must complete the Perjury Statement, when applicable.
The form is not signed.	Seller must always sign the form. Buyer must sign only when the transaction is an installment sale.

Part VII of form isn't complete.	Ensure all applicable parts are complete.
Line 36 (Amount Withheld from Seller/Transferor) isn't complete.	Ensure all applicable parts are complete.

## Payment Tips

Due to the extension of the initial filing deadline this year, many of our return notices that are usually mailed in late May, are scheduled for mailing this month. As in other years, we want to provide information about the self-service payment options FTB has available to you and your clients.

Whether you need to assist your client in making a payment, delaying a bill, or setting up a payment plan, we have a self-service option available. These self-service options are quick, easy and secure.

FTB accepts payments online or through our mobile application with our Web Pay service. There is no charge when a bank account is used for a payment. The Mobile App can be downloaded from the Apple Mobile App store or Google Play. Many taxpayers file their taxes online but pay by mail (make sure they use the correct voucher). Better yet, suggest Web Pay. This online and mobile service is secure, fast, and convenient. There's no requirement to register and payments can be scheduled up to a year in advance. Your client can also make a payment with a major credit card for a fee.

- [Web Pay - Bank Account \(No fee\)](#)
- [Credit Card for \*individuals\* \(2.3% service fee\)](#)
- [Credit Card for \*businesses\* \(2.3% service fee\)](#)

We understand that unexpected events occur and can make it difficult to pay state income taxes on time. Here are additional self-service options to help your clients.

Your client can request a one-time 30-day bill payment delay online through their registered MyFTB account. The online system will verify eligibility up front.

- [Delay My Bill Payment](#)

If your client cannot pay in full, a payment plan may be available. If they owe less than \$25,000, and can pay the entire balance due within 60 months, they may qualify to pay in installments. To learn more and apply:

- [Payment Plan for \*individuals\* \(\\$34 setup fee\)](#)
- [Payment Plan for \*businesses\* \(\\$50 setup fee\)](#)



If a client is currently paying their California personal income taxes on an installment plan and they need to skip a payment, eligible taxpayers can make a request through their registered MyFTB account:

- [Installment Agreement Skip Payment](#)

For more information go to our website, [ftb.ca.gov](http://ftb.ca.gov), and search: [Payment Options](#).

## Legislative bill watch list

Many tax bills are introduced at the beginning of each legislative season. As bills move through the first house portion of the legislative process, the number of bills that continue to move forward dwindles. Below are a number of franchise and income tax related bills that have passed to the second house:

- AB 340 Conformity to Expanded Definition of Higher Education Expenses
- AB 545 Major Tax Expenditures Research Center
- AB 742 School Supplies for Homeless Children Voluntary Tax Contribution Fund
- AB 1065 Mental Health Crisis Prevention Voluntary Tax Contribution Fund
- AB 1219 Natural Heritage Preservation Tax Credit Act of 2000
- AB 1515 Earned Income Tax Credit Outreach, Education, and Free Tax Assistance Grant Program
- AB 1582 Real Estate Withholding on 1031 and Taxpayers' Bill of Rights Report Due Date Change (FTB LPs)
- SB 65 California Guaranteed Income Pilot Program for Pregnant People and Infants
- SB 347 The California Community and Neighborhood Tree Voluntary Tax Contribution Fund
- SB 601 Increase Capital Gain Exclusion for Sale of a Principal Residence to First-Time Homeowners
- SB 603 Cannabis Equity Business Tax Credit
- SB 611 CA Motion Picture Credit/ Additional Credit Percentage for for Career Pathways Program Participants

Other bills of interest that have passed to the second house include:

- AB 105 The Upward Mobility Act of 2021
- AB 466 Unclaimed Property Data Sharing with the State Controller (FTB LP)
- AB 1291 Bagley-Keene Act Public Comment Period
- AB 1429 Agency Records Management Training
- SB 459 Political Reform Act of 1974: Lobbying Periodic Reporting
- SB 586 Court Ordered Debt Collection Program

The California legislature sent a state budget to the Governor on June 14, 2021. For more information on these and other bills we're currently analyzing, search for legislative information on our website. You can also follow legislative bills by using [California Legislative Information website](#).

## Event Calendar

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