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Tax News

June 2019

Coming June 23, 2019: FTB's new website

Our new and improved website design was built with all our customers in mind. The new site will focus on tasks instead of customer type. As you can see from the new home page below, visitors will find common tasks such as File, Pay, Tax Forms, or Refund Status right across the top.



The amount of content on the new site will meet the needs of more than 95% of our visitors. For those who need something they can't find, there will be request processes built into the search results. Below is an example of the on-line request form. Send us the broken link or a description of what you're looking for, and let us know if you need it in any special accessible format. We will email that document back to you... usually within just a few business days.

Content Request

Can't Find What You are Looking For?

If you need a tax form search our [Forms Locator](#) (tax years 2008 to Present).
Still can't find what you're looking for or need a form not in the Forms Locator?
Send us your request by completing the fields below.
We'll reply to your request within 1-2 weeks.

* = Required Field

Contact Information

* Name

Phone Number

* Email Address

* Re-enter Email Address

What can we help you find?

* Name of the document and/or description

Warning: Do not include your social security number or other personal confidential information in your message.

500 characters remaining.

Enter the content link as shown here

<https://www.ftb.ca.gov/example/link/yourpage.html>
100 characters

How to copy a page link (URL)

* Type the characters from the picture

Test Mode Enabled



Submit >

Cancel

If you bookmarked your favorite links, you'll need to reestablish those links with the revised FTB web pages. To reestablish links, search for your content from the ftb.ca.gov search box. Outside searches such as Google and Bing may take a while to update.

Here are some important dates to know:

- June 22: The website will be down for renovation
- June 23: New site launches!
- June 24: MyFTB back up after renovation.

Questions? Please contact Public Affairs at 916-845-4800.

Follow us on Social Media to get updates and reminders about our new website!



Error on Request and Demand for Tax Return Questionnaire

We want to let you know that during the period April 23, 2019 to May 7, 2019 the Filing Enforcement program mailed out Request and Demand for Tax Return notices that contained an error. These notices included a questionnaire to help the recipient determine if they had a California filing requirement for the 2017 tax year. The questionnaire had an error in Section F (part year resident/nonresident) that could have lead some individuals to incorrectly believe that they are required to file a tax return with the Franchise Tax Board.

To correct this error, we have modified the instructions in Section F and all future mailings will include the corrected version of the questionnaire. Additionally, we will reissue notices with the corrected questionnaire to the 20,000 individuals with an out of state address we sent the incorrect questionnaire to with an explanation for the second notice.

If your client has already submitted their questionnaire, no further action is required. We will consider their response to our original notice and may reach out to them to clarify the

information provided. In the near future, we will inform them of our decision. We apologize for any inconvenience this may have caused you or your clients.

Penalties: Resources for you to assist your clients

Last month, we let you know that we would start sending notices at the end of May. And by now, one of your clients may have already contacted you about one of these notices. If your client receives a notice from us, we encourage you to promptly address the matter.

According to the [IRS notice 2019 - 25](#), IRS is waiving the estimated tax penalty for individual taxpayers whose 2018 federal income tax withholding and estimated tax payments fell short of their reported tax liability for the year. As previously explained in the [April Tax News](#), FTB will not provide comparable estimated tax penalty relief because the Tax Cuts and Jobs Act (TCJA) had no general impact to the amount of state income tax an individual would owe. Therefore, for California, the [normal rules](#) apply for determining whether an estimated tax penalty may be waived. There is no general reasonable cause exception to the estimated tax penalty.

If we imposed a penalty for failure to pay tax by the due date, the penalty may be waived if the failure was due to reasonable cause and not willful neglect. We have several resources to assist you in requesting reasonable cause relief:

- FTB website: [How can I dispute a penalty?](#)
- FTB Law Summary: [Penalty Abatement](#)

To request a claim for refund based on reasonable cause, use the forms below:

- Reasonable Cause – [Business Entity Claim for Refund](#)
- Reasonable Cause – [Individual and Fiduciary Claim for Refund](#)

Remember, we charge interest on any late payment from the original due date of the return to the date paid. Interest compounds daily and the interest rate is adjusted twice a year.

Go to ftb.ca.gov for more information on penalties.

[Follow up letters for FTB 3840, California Like-Kind Exchanges, going out soon](#)

Beginning in February 2019, we mailed letters to taxpayers who either failed to file or filed an incomplete California Like-Kind Exchanges ([FTB 3840](#)) for the 2016 tax year. This letter requested taxpayers to file FTB 3840 to include California-specific details not previously provided. Beginning in June 2019, we will be mailing follow-up letters to those taxpayers who did not respond to our first 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.

As we mentioned in both the [October 2018](#) and [January 2019](#) editions of Tax News, California requires taxpayers to file form FTB 3840, California Like-Kind Exchanges, when they exchange real property located in California for like-kind property located outside of California. This requirement began with tax years beginning on or after January 1, 2014.

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

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

The [Instructions for FTB 3840](#) require that the federal amounts reported on Part III, lines 12 through 25 of federal Form 8824 be entered on FTB 3840, Part II, line 7 through 20, respectively. In addition, Schedule A, Parts I, II, and III require California-specific information.

Common errors that we find on FTB 3840 include:

- Side 2 is transmitted blank and contains no data
- A box on Question B has not been checked indicating whether the FTB 3840 is an initial, amended, annual, or final form
- Vague, incomplete, or omitted property descriptions. FTB 3840 instructions require that the full address (or assessor's parcel number, county, and state) must be reported
- Missing ownership percentages

- Omitted California source deferred gain (Schedule A, Part I, Line 8)

Search our website for FTB 3840 for additional information.

Exempt organizations and filing enforcement notices

We routinely send out filing enforcement (FE) notices to individuals and business entities who may have a filing requirement for a specific tax year, but have not filed a return with us.

One of the questions that comes into our Contact Centers when we send out FE notices to business entities comes from tax-exempt entities or organizations who are asked to file a Form 100 California Corporation Franchise or Income Tax Return when they normally file Form 199 **California Exempt Organization Annual Information Return** or Form 199N if eligible¹.

There are several reasons why a tax-exempt entity may receive this type of notice. One of the most common reasons is that their exempt status has been revoked due to their failure to file a return or pay an amount due. Alternatively, they have been suspended by the Secretary of State, which can quickly lead to their exempt status being revoked.

Once an entity's exempt status has been revoked, the entity is subject to the franchise tax provisions – including the requirement to pay at least the minimum tax each year. It is for this reason, we send the request for file Form 100.

FTB's **Introduction to Tax Exempt Status** ([Publication 927](#)) explains what can lead to suspension or forfeiture and possible revocation of an exempt entity and gives the primary requirements to get back into good standing.

¹ The requirement to file Form 199 is generally based on the normal amount of total gross receipts and pledges. Organizations with gross receipts that are normally \$50,000 or less may choose to electronically file FTB 199N but may also file Form 199.

FTB tips on payment options

Last month during a very busy filing season we shared payment options with the IRS. This month, during the “paying season,” we’re providing 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 an installment agreement, we have a self-service option available to you. We’ve done all that we can to stay on the cutting edge of new technology and at the same time safeguard our customers from privacy, security, and disclosure issues.

Does your client need to make a state income tax payment? Your client can pay online or through our mobile application for free using your bank account with our Web Pay service the same way they can pay for their groceries or a ride. FTB’s Mobile App can be downloaded from the Apple Mobile App store or Google Play. Many taxpayers file their taxes online but pay by mail. The Web Pay service is secure, fast, and convenient. There’s no need to register and payments can be scheduled a year in advance. Your client can also make a payment with a major credit card for a fee.

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

We understand unexpected events can make it hard to pay state income taxes on time. We have several 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, owes less than \$25,000, and can pay the entire balance due in 60 months, they may qualify for a payment plan. To learn more and apply:

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

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

Currently paying California personal income taxes on an installment plan and need to skip a payment? Eligible taxpayers can make a request through their registered MyFTB account:

- [Installment Agreement Skip Payment](#)

Have questions? We've got answers. Our website has you covered: [Payment Options](#)

2019 Latino Tax Fest

The Latino Tax Professionals Association (LTPA), a professional trade association dedicated to excellence in the field of tax preparation and related services, presents the Latino Tax Fest. Every summer over 2,000 professionals come together to learn the latest tax updates, network with fellow entrepreneurs, and have fun in Las Vegas.

Date: July 30 – August 1, 2019

Location: MGM Grand
Las Vegas, NV

Price: All access pass: \$349
Exhibit only: \$199

[View the schedule](#)

[Register](#)

Learn the latest tax updates and strategies on how to grow your business. Earn up to 22 hours of continuing education credit and get ready for tax season 2020. Classes are available in English and Español.

Ask the Advocate



Update from the Advocates' meeting

I meet quarterly with the Advocates and an Ombudsperson from California's other tax agencies and the IRS. I introduced you to several of them in our [May 2018](#) Tax News. These meetings are a great opportunity to learn about issues facing taxpayers and tax professionals and possible solutions. The meetings also allow us to update our sister agencies on programs each agency administers.

When we met recently, I provided a brief update on the franchise and income tax portion of the Taxpayer Appeals Assistance Program (TAAP) which my office began administering at the beginning of this year. One of the more interesting things I shared was that nearly half of the people who appear before the Office of Tax Appeals (for all types of tax appeals) represent themselves. Every taxpayer deserves to have their voice heard, especially when appealing an action taken by a tax agency. I am proud of the work done by the law students who represent taxpayers and appreciate their efforts in furthering the mission of the Taxpayer Advocate.

We also shared updates about the business of cannabis and how each of our agencies is addressing issues surrounding compliance. Education and outreach plays an important role in the compliance effort, especially when you consider that the legal segment of this industry is still in its infancy. My staff attend and speak at many cannabis-related conferences and events. Based on the ever-increasing number of attendees, there is a real need to provide information to cannabis entrepreneurs.

Another agenda item was the planned updates to [California Taxpayer Resources](#), a CDTFAs publication which provides the taxes administered by each agency along with contact information for the Advocates from FTB, BOE, EDD, Go-Biz, IRS, and the Ombudsperson from OTA. This publication will be updated to reflect the most current Advocates and Ombudsperson. It is a great resource with all of the Advocates' contact information in one place. Another "all in one" resource is the website for [The California Tax Service Center](#), a partnership of California tax agencies providing links to each agency's forms and publications, filing and payment options, tax rates and schedules, important dates and much more. This is a great resource for tax professionals and one you might consider bookmarking.

Finally, one additional conversation we had surrounded our collective outreach efforts to tax professionals whose first language is other than English. We are seeing a consistent growth in tax professionals attending these events, both large and small. California has a wonderfully diverse and vibrant multi-cultural population and I am proud that FTB is able to help everyone have their questions answered and meet their tax filing obligations.

Susan Maples, CPA

Taxpayers' Rights Advocate

Follow me on Twitter at

twitter.com/FTBAdvocate

All About Business

New! Online filing services available on SOS' bizfile* California website

Secretary of State (SOS) is now offering many online business filing services for your business entities through [bizfile* California](#). To name a few, you can:

- [File your Statement of Information](#) for both Corporations and LLCs
- Use this service for [Trademark registration](#) and “coming soon” Trademark modification
- [Register and terminate Limited Liability Company \(LLCs\)](#)

The Termination service is a simple 3-step process:

Step One: Find Your Entity

You can search by either the LP/LLC Name or Entity Number.

Step Two: Select Your Entity

Your search will bring up a list of potential entities to terminate. You will then need to view the entity detail to ensure you are selecting the **correct** entity, you must click on the entity name.

Step Three: Confirm the Entity and Select the Filing for Submission

Then check the box which states,

“By checking this box, I understand it is my responsibility to select the correct entity, and modifying the record of an incorrect entity may result in civil or criminal liability. I confirm that I have reviewed the Entity Detail information and I have the authority to modify the above entity record.”

Then just click on the “Terminate this entity” link.

[Event Calendar](#)

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