



Tax News

June 2020

Table of Contents

Table of Contents	1
We are still here for outreach events	2
Obtaining an Individual Status Letter	2
Closing a California business entity	3
From State Controller’s Office (SCO): Guidelines to report unclaimed property	5
Avoid Economic Impact Payment Scam videos	6
Ask the Advocate	6
MyFTB Corner	7
All About Business	8
Event Calendar	9

We are still here for outreach events

We are taking a new approach to continue our outreach events. All of our education and outreach in-person seminars have been cancelled until further notice due to COVID – 19 and the requirements for social distancing. However, even though we can't travel, we are still here and available to do presentations in a virtual way.

You can submit a request for your group/organization through our Speakers' Bureau at SpeakersBureau@ftb.ca.gov and include the following information:

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

We can provide various virtual presentations depending on the audience, including California tax updates. For business owners, our Small Business Liaison can provide virtual presentation/information on the filing requirements for the common forms of ownership.

We also have the Small Business Liaison phone line (916-845-4669) that you can refer your clients to for information about starting a small business and their filing requirements, based on their ownership or proposed ownership type. The liaison can also refer business owners and taxpayers to the appropriate program areas within FTB and to the other state or federal agencies to answer their questions, if needed.

Another critical element in our education and outreach efforts are the various media sources we use to communicate important information to you. As you know, Tax News is our monthly online publication designed to inform tax professionals about state income tax laws; our regulations, policies, and procedures; and events that affect the tax professional community. We periodically send Tax News Flashes to quickly notify subscribers of urgent, time-sensitive information. We offer [Tax News Live videos](#) and have a presence on both [Facebook](#) and [Twitter](#) where we share tax-related information.

Obtaining an Individual Status Letter

Occasionally, we will receive a request for written verification stating an individual has no California tax obligation and/or no filing requirement. These are commonly referred to as [Individual Status Letters](#) and may help a requester in the process of either obtaining a student loan or financing from the Department of Veterans Affairs. These letters can also show lenders

and other interested third parties that the individual has met their California income tax obligations.

FTB 4148 Individual Status Letter is designed for this purpose and normally can only be requested after the original due date of the return for the tax year in question. However, for 2019 returns, FTB will process these requests prior to the extended due date of July 15, 2020.

Individual Status Letters may be obtained by an individual, the parent of a minor child, or by an authorized representative of the requester.

Important note: Due to the current COVID-19 State of Emergency, you can no longer visit one of our district offices to obtain a letter. Instead you will need to email FTBIndividualStatusLetter@ftb.ca.gov with the following information:

- Student's (or your) name and address
- Requester's (or your) telephone number and email address

When we receive an email at the above email address or ID, FTB staff will send a secure email in reply and provide the information needed to secure a letter. The requester will be asked to reply via the secure email and provide the necessary documents. Once FTB has the information needed, the Individual Status letter will be emailed to the requester/customer.

Depending on the specific circumstances, documents to be provided to us via secure email may include:

- FTB-ID or social security number (SSN)
- Tax year(s)
- Copies of the requester's photo identification and SSN card

If the request is made on behalf of someone else, you will also need to provide:

- A copy of a minor child's birth certificate if the requester is under age 18
- A signed statement authorizing the FTB to release information on their behalf when the request is made on behalf of someone age 18 or over

Closing a California business entity

During this challenging time, business owners have been faced with many difficult and life changing decisions due to COVID-19. One of those decisions is whether or not to close or shut down your business. Here is some information and resources that can help you with how to do that in the proper way.

Business entities doing or transacting business in California or organized or registered with the California Secretary of State ([SOS](#)) can dissolve, surrender, or cancel when they cease operations in California and need to terminate their legal existence here.

- Domestic corporations (those originally incorporated in California) may legally dissolve.
- Foreign corporations (those originally incorporated outside California) may legally surrender.
- Limited liability companies (LLC) and partnerships (both domestic and foreign) may legally cancel.

Steps to dissolve, surrender, or cancel a California business entity

Dissolving, surrendering, or canceling your California business entity is a multi-step, multi-state agency process that has requirements both FTB and SOS.

Requirements for FTB

- File any delinquent tax returns and pay all tax balances due, including any penalties, fees, and interest.
- File a final/current year tax return. Check the applicable Final Return box on the first page of the return, and write “final” at the top of the first page. All tax returns remain subject to audit until the statute of limitations expires.
- Must cease doing or transacting business in California after the final taxable year.

Requirements for SOS

- File the appropriate dissolution, surrender, or cancellation [SOS form\(s\)](#) within 12 months of filing your final tax return.
- Currently, LLCs can submit termination forms online. Online submission for Corporation and Partnership dissolution/cancellation forms is not available at this time.

If your business entity is suspended or forfeited, it will need to first go through the [revivor process](#) and be in good standing before being allowed to dissolve, surrender, or cancel. To revive your suspended or forfeited business entity you must:

- File all delinquent tax returns.
- Pay all delinquent tax balances, including penalties, fees, and interest.
- File a revivor request form.

Additional steps

There are some additional steps that you may need or want to take while closing your business entity. They include:

- Notifying all creditors, vendors, suppliers, clients, and employees of your intent to go out of business.
- Closing out business checking account and credit cards.
- Canceling any licenses, permits, and fictitious business names.

- Consider publishing a statement in a local newspaper of general circulation near the principal place of business that it is no longer in business.

Voluntary dissolution/cancellation

If certain qualifications are met, a business entity may be able to voluntarily dissolve. Beginning January 1, 2019, a qualified domestic corporation or qualified domestic limited liability company can request voluntary administrative dissolution/cancellation.

With a written request, your business must certify it:

- Is not actively engaging in any transaction for the purpose of financial or monetary gain or profit
- Has stopped doing business or never did business
- Does not have any remaining assets

Once the SOS formally dissolves or cancels your business, we may abate:

- Unpaid qualified taxes
- Interest
- Fees
- Penalties

For more information, refer to our [voluntary administrative dissolution/cancellation](#) webpage.

Additional resources

Here are some additional resources that are available for more information:

- Tax News Live Video "[Close Business Entity in California](#)"
- Guide to Dissolve, Surrender, or Cancel a California Business Entity ([Publication 1038](#))
- Common Forms of Ownership ([Publication 1123](#))
- [Close a Business](#) section on the California Business Portal Website.
- [How do I terminate \(dissolve, surrender or cancel\) my business entity?](#) (This question is answered in the FAQ section of **SOS** website.)

From State Controller's Office (SCO): Guidelines to report unclaimed property

The Unclaimed Property Law allows the state to reunite lost and abandoned property with its rightful owner(s) and to safeguard this property from being used by private interests for personal gain.

Unclaimed property is generally defined as any financial asset that has been left inactive by the owner for a period of time specified by law, usually 3 years.

Who must file an unclaimed property report?

- Business associations, banking and financial organizations and life insurance corporations

- Non-profit, sole-proprietorships, and partnerships
- Other entities holding property belonging to another

Contact information

Go to [SCO's Reporting Resources](#) webpages for to get more detailed information.

Phone:

- SCO Outreach and Compliance (916) 464-6088
- Reporting Assistance (916) 464-6284
- Claims Assistance (916) 992-4647

Avoid Economic Impact Payment Scam videos

IRS teamed up with the Federal Trade Commission (FTC) and Better Business Bureau to produce video tips to assist you and your clients to avoid scams. Visit the [FTC website](#) to watch the [Avoid Coronavirus Scam videos tips](#).

Visit the [IRS' economic impact payments information center](#) for more information.

Ask the Advocate

Education and Outreach during COVID-19



Susan Maples, CPA.
Taxpayers' Rights Advocate.
Follow me on Twitter at
twitter.com/FTBAdvocate

Many things have changed due to COVID-19 and the new social distancing requirements, including how education and outreach is being presented to tax professionals. Similar to the distance learning classes that students of all ages are now attending, continuing professional education (CPE) for tax professionals is now entirely online. A recent update from CSEA let us know that their [2020 Super Seminar](#) will consist of 29 live webinars beginning June 2 and ending on August 6. A quick check of the Spidell and Western CPE websites show their upcoming Review and Update seminars and conferences are being presented online as well.

I know that many of us miss having a day out of the office, perhaps now our "home office" to attend a chapter meeting, seminar or conference. These events allow us to meet with other tax professionals and hear from great speakers while earning the CPE we need to keep current with changes in the tax laws and meet our professional licensing requirements.

I try to attend several of the larger update seminars each year along with some smaller chapter meetings. I will definitely miss these, especially not having the opportunity to meet in person with you. As I have said many times, the one on one conversations I have with you at these events help me learn firsthand about any concerns you and your clients have when doing

business with FTB along with the areas where we can improve. I am hopeful that by next year, things will be back to normal and we can all safely meet in person again.

You may have already read that FTB's education and outreach in-person events have also been cancelled. But like the others, we are doing our best to adapt. Over the past several weeks, my staff and I have made presentations and virtually attended some of your chapter meetings using the different online platforms. There has definitely been a learning curve for us, but I feel that we are adapting well to these changes and getting the information out to you that you need.

While the shift to exclusively presenting online has created some challenges for everyone, I am optimistic that these changes will help those of us who provide content improve how we do this virtually and will ultimately make more information available to tax professionals everywhere, whether in-person or at a distance.

MyFTB Corner

Good time to have your clients sign up for a MyFTB account



We know you are busy and that your clients may be asking you about all of the new law changes resulting from the COVID-19 pandemic. However, this may also be an opportunity for you to suggest to your clients that they create a [MyFTB account](#) and take advantage of the many benefits and features.

First, many of us don't think of this often enough, but security of our financial information is so very important. And, MyFTB offers us security of our tax information. Once your client creates a MyFTB account, it prevents anyone else from attempting to use their information to do so. As a tax professional, you recognize our standard letters and notices. If your clients receive something from us, they can easily go to their MyFTB account and confirm its legitimacy; and, rather than sending sensitive information to us through the mail, they can quickly and securely upload any required documents.

Benefits to your clients beyond security include, online access to their tax returns, correspondence and account information. "Did I make that fourth quarter estimate payment?" "What about my refund?" Your clients can log in to MyFTB and quickly see all payments and credits, including California wage withholding. They can also see if their returns were processed and whether or not refunds were issued.

If your clients have a question about their returns or refunds, they can securely chat with our helpful customer service representatives rather than calling and waiting. Social distancing has affected our call centers staffing, but with MyFTB chats are answered sooner than a phone call. These benefits can also extend to you. When your clients self-serve, it frees up your valuable time.

There is another benefit to tax professionals when their clients have MyFTB accounts. When you submit a Power of Attorney (POA) form with us, the relationship verification step is much easier and the POA can be processed faster. Visit [MyFTB Features](#) for more information about MyFTB.

All About Business

Changing or Converting a Business Entity

Entity Conversions

Under California law, a business entity may be able to convert its legal form into another business entity type, such as when a limited partnership converts into a limited liability company, by filing the necessary paperwork with the Secretary of State (SOS).

Please note that the converted entity may be taxed differently and may have different organizational rules and requirements than the converting entity.

The converting entity ends its tax year on the date of conversion, while the converted entity does not begin its tax year until the following day.

15-Day Rule

Inactive business entities (limited partnerships, limited liability partnerships, limited liability companies and corporations) with a short (15 days or less) tax year are not required to file a return for the short tax year, if they meet both of the following:

- They did no business in California during the tax year
- Their tax year is 15 days or less

The 15-day rule does not normally apply to entities that convert because they are usually doing business during both periods involved. As a result, both the converting and converted entity will each have a filing requirement.

Nonprofit

Under California law, California nonprofit corporations cannot “convert” (change the entity type from a nonprofit corporation into a limited liability company, limited partnership, or general partnership). However, nonprofit corporations can amend or restate their Articles of Incorporation to become a for-profit stock corporation (see the information above for how to do this). Once the nonprofit corporation becomes a stock corporation, the corporation can follow the procedures outlined in Corporations Code Sections 1150 through 1160 to convert into a limited liability company, limited partnership, or general partnership.

To convert from a stock corporation into a limited liability company, limited partnership, or general partnership, you can use the applicable conversion form provided by the SOS. For more information, forms, and instructions relating to conversions with the SOS, visit [Conversion Information](#) and the [Conversion Information Chart](#).

Event Calendar

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