



Tax News

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Subscription Services

There is an easy way to sign up for and receive emails on topics that may be important to you. All you have to do is provide your email address and manage your subscriptions with us! Besides Tax News, we also offer subscriptions for:

- Press releases
- Public service bulletins
- Law and Legislation
- Board meetings
- Regulation hearings and Interested Parties Meetings
- e-Program news
- Estimated tax payment reminders
- Withholding information

Visit the [Subscription Services](#) webpage to see the full list of available topics and to sign up.

Temporary Suspension of Offset Program until July 31, 2021

FTB has temporarily suspended the collection activities of the [Interagency Intercept Collection \(IIC\) Program](#) in keeping with the Governor's March 12, 2020, [Executive Order](#). This means that state tax refunds will not be reduced to offset taxpayer debts for parking citations, tolls, and various fines. Debts for child support are the exception and will continue to be collected.

Taxpayers can apply for an installment payment plan if they cannot pay their state taxes in full. This includes [court-ordered debts](#). For more information about payment plans, go to our website: ftb.ca.gov.

If a taxpayer receives a wage garnishment, bank levy, or tax lien, FTB will work with them. In addition to payment plans, this assistance may include modifying or releasing a garnishment or levy, placing a hold on the collection account, or accepting an [offer in compromise](#).

For more information about IIC and the temporary suspension of the Offset Program, see FTB [news release](#) dated February 22, 2021.

Applicability Date of Proposed Revisions to California Code of Regulations, Title 18, Section 25136-2

Tax returns prepared for the taxable years beginning during the 2020 calendar year are not required to be prepared utilizing the rules reflected in the proposed revisions to California Code of Regulations, title 18, (CCR) section 25136-2. Please see [Public Service Bulletin 21.11](#) for more information.

FTB Small Business Liaison new email address

We are pleased to announce that there is a new email address available for questions for FTB's Small Business Liaison! You can send an informational question to:

FTBSmallBusinessLiaison@ftb.ca.gov

Our Small Business Liaison helps small businesses with:

- Tax information
- Filing requirements
- People interested in starting a business in California
- Helpful contact information within our department or other agencies

Please remember that this email account is for information purposes only and we do not have access to accounts. For information about your small business account you can call 1-800-478-7194 or 1-800-852-5711.

Additionally, you can go to our website and use the Secure Chat function, but you need a [MyFTB](#) account to do so.

Closing a California Business Entity

During these challenging times, businesses have been faced with many difficult and life-changing decisions. One of the toughest decisions that a business owner has to make is whether or not to close or shut down their business. Here is some information and resources that can help someone with closing their business entity in the proper way.

Business entities doing or transacting business in California 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 a California Business Entity is a multi-step, multi-state agency process that has requirements with the Franchise Tax Board (FTB) and SOS.

Requirements for FTB

- File any delinquent tax returns and pay all tax balances due, including any penalties, fees, and interest.

- File the 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 [form\(s\)](#) with the SOS within 12 months of filing your final tax return.

If your business entity is **suspended** or **forfeited**, it will need to go through the [revivor process](#) and be in good standing before being allowed to dissolve, surrender, or cancel. To revive a 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 may need to be taken when closing a business entity. They include:

- Notifying all creditors, vendors, suppliers, clients, and employees of the 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 the limited liability company is no longer in business.

Voluntary Dissolution/Cancellation

If certain qualifications are met, a business entity may be able to voluntarily dissolve. A qualified domestic corporation or qualified domestic limited liability company can request a voluntary administrative dissolution/cancellation. With a written request, the 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
 - Interests
 - Fees
 - Penalties

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

Additional Resources

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

- [Publication 1038](#), *Guide to Dissolve, Surrender, or Cancel a California Business Entity*
- [Publication 1123](#), *Common Forms of Ownership*
- [Close a Business](#) section on the California Business Portal Website.
- [How do I terminate \(dissolve, surrender or cancel\) my business entity?](#)

Ask the Advocate

The first part of the 2021 Filing Season is in the books.



Brenda Voet, EA.
Taxpayers' Rights Advocate.
Follow me on Twitter at
twitter.com/FTBAdvocate

Tax day 2021 has come and gone and just like you, we are taking some time to evaluate the first part of the filing season. We want to ensure that we deliver excellent products and services that meet the needs of California's taxpayers and tax professionals.

While you are sending out your client surveys, we would like to ask you to take a few minutes to let us know how we did.

The easiest way to share your ideas for improvement or voice any concerns is through our easy online [Systemic Issue Management System](#). Using this system is as simple as 1, 2, 3:

1. Fill in all required fields, giving a brief summary and description of the issue as requested.
2. Remove any taxpayer identifying information (such as another person's social security number or your own).
3. Click the "Submit" button at the bottom of the page.

Another easy way to share your ideas for improvement or any concerns with us is to email us directly at FTBAdvocate@ftb.ca.gov.

As you start preparing for the second part of the 2021 filing season, we offer a couple of ideas to consider that may help make things a bit smoother:

Check to see if your client's tax year 2020 payment was successful.

If your client owed taxes but is filing under extension, we recommend you or your client verify with their financial institution that their tax year 2020 payment went through. This can be done by verifying the withdrawal or using [MyFTB](#) to check that the payment was received. Remember that "Confirmation Web Pay Scheduled" only means that we received the request to process the payment, it does not mean we actually received the payment from the financial institution.

Update your client relationships.

- Verify [Power of Attorneys](#) are current
- Manage your email notification preferences
- Confirm [Tax Information Authorizations](#) (TIA) have not expired

Finally, I would like to thank the many hardworking and dedicated people here at FTB who strive to make every filing season go as seamless and smooth as possible. I hope that your recent filing season experience with us was a good one.

Important Filing Updates

There were two recent important updates posted to FTB’s website that we wanted to make you aware of because these may impact some of your clients’ 2020 and prior year returns.

The first update, regarding [unemployment and 2020 tax returns](#), explains what happens when someone receives unemployment compensation and either initially qualified for the CalEITC or may now qualify due to recent changes under The American Rescue Plan Act of 2021 (ARPA).

The ARPA excluded a certain amount of unemployment insurance compensation from federal adjusted gross income (AGI). These changes may allow filers to receive additional money from California tax credits and other benefits, including:

- [California Earned Income Tax Credit \(CalEITC\)](#)
- [Young Child Tax Credit \(YCTC\)](#)
- The [Golden State Stimulus payment](#)

Importantly, for many who have already filed for 2020, they will not have to do anything to receive these additional benefits. Others though will need to take specific steps to receive their allowable credits and payment. Additional information is available on FTB’s website by searching for “unemployment and 2020 tax returns” or by clicking on the link above.

The second update may impact those who received income from a Medicaid waiver or the [In-home Supportive Services](#) (IHSS) program for providing care to someone they lived with. These individuals may now elect to include or exclude all or none of their IHSS or Medicaid waiver income from their earned income. This in turn may allow them to be eligible for the CalEITC (or qualify for more) along with other credits and benefits.

This change resulted from the Office of Tax Appeal's precedential opinion in the [Appeal of F. Akhtar and M. Akhtar](#) (2021-OTA-118P) which became final on May 5, 2021.

Additional information is available on FTB’s website for those who want to file a timely claim for refund for the CalEITC for the 2016 – 2020 tax years. For many filers, all they will need to do is download and submit an FTB 3514. Go to FTB’s website and search for “In-home Supportive Services” for more information.

Tax Appeals Assistance Program – first semester recap

The Tax Appeals Assistance Program (TAAP) is a two-member team run by a Supervising Attorney, Mengjun He, and a TAAP administrator, Jenny Vu. TAAP offers free legal assistance to eligible taxpayers of limited means who have filed an appeal to the Office of Tax Appeals on an action taken by the Franchise Tax Board. Taxpayers accepted into the program are assigned a law student who writes briefs and represents them in the appeal.

In the December 2020 Tax News, we announced Mengjun He as the new Supervising Attorney for TAAP. We are pleased to announce that TAAP just wrapped up its first semester and had 30 students under its supervision and guidance. Additionally, Mengjun, Jenny, and the law students resolved more cases this semester than in any prior semester! In most of these cases, TAAP student representatives were able to work and negotiate directly with FTB Tax Attorneys for quick and efficient case resolution, which benefitted both taxpayers and the State.

The summer semester just started and TAAP is always screening and accepting new clients and cases. In circumstances where you feel TAAP's assistance may be beneficial for your client, please consider referring them to TAAP. TAAP can assist with appeals cases where the amount at issue is \$30,000 or less for certain tax issues. Please refer taxpayers to our [TAAP](#) webpage for more information or have them email ftbtaap@ftb.ca.gov.

Also, our TAAP students are always eager to hear guest speakers share their career stories as well as any tax practitioner tips and advice. If you are willing to help inspire the next generation of tax professionals and have 10-15 minutes of your time to spare, please send us an email.

Questions regarding AB 80

We understand there are many questions about [AB 80](#), Taxation: Coronavirus Aid, Relief, and Economic Security Act: Federal Consolidated Appropriations Act, 2021 which was approved by the Governor and chaptered into law on April 29, 2021. California conforms, with certain modifications, to federal law with respect to the tax treatment of Paycheck Protection Program (PPP) loans and Economic Injury Disaster Loan (EIDL) advance grants under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Consolidated Appropriations Act of 2021.

Currently we do not plan to change any tax forms. We will be updating instructions for 2020 taxable year booklets in light of this new law. If necessary, a taxpayer may file an amended tax or information return using normal procedures. Otherwise, if a taxpayer makes an election under [Rev. Proc. 2021-20](#) for federal purposes, California will follow the federal treatment for California tax purposes.

We will not be updating instructions for 2019 taxable year booklets because this issue only impacts a very small volume of fiscal year filers. For the 2019 taxable year, please follow similar

instructions as the 2020 taxable year, as applicable. Rev. Proc. 2021-20 does not apply to the 2019 taxable year.

See our website for up to date information on AB 80. Go to: [tax-form-changes](#), Recent law changes.

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, as well as other events happening with us, such as interested party and board meetings.