



# Tax News

March 2022

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## Mailing of Forms 1099-G and 1099-INT

### Follow up article for a Public Service Bulletin posted on our website January 10, 2022

Federal law requires the Franchise Tax Board (FTB) to mail taxpayers who itemized and received a refund, or who received an interest payment, of \$10 or more, one of the following:

- Form 1099-G, Report of State Income Tax Refund
  - Form 1099-Gs are issued by tax year.
  - Example: A taxpayer who receives refunds in 2021 for overpayments on tax years 2019 and 2020 will receive two 1099-Gs - one for 2019 and one for 2020.
- Form 1099-INT, Statement of Interest Income
  - FTB issues Form 1099-INTs for all interest paid during the 2021 calendar year.

If a tax return needs more validation and review, it may be held past the year in which it was filed. When the tax return has been processed, if a refund has been issued, the 1099-G will be for the year the refund was issued. This may be different than the year the taxpayer filed, or that was auto populated in the tax preparation software, and the preparer's copy may need to be updated.

### Additional information

Overpayments, or interest income reported on Form 1099-G or Form 1099-INT, are considered refunded in the following situations:

- If paid directly to the taxpayer, or directly deposited into their financial institution.
- When used as an offset for other liabilities, such as; taxes, penalties, or interest.
- When credited as an estimated tax payment.
- If intercepted (offset) by a state, city, or county agency, or by the Internal Revenue Service (IRS).
- If elected as a use tax payment.
- When paid to voluntary contributions as designated by taxpayer.

For more information on [1099-G and 1099-INT](#) visit [ftb.ca.gov](http://ftb.ca.gov).

## 2021 Health Care Mandate Subsidy Reconciliation

### Follow-up article for a Public Service Bulletin posted on our website January 14, 2022

Taxpayers who received CA Premium Assistance Subsidy (PAS) for health care coverage for 2021 may have to pay back some or all of the amount received when filing their 2021 CA tax return.

## Background

- On March 11, 2021, the American Rescue Plan Act increased the amount of federal Premium Tax Credit for taxpayers for all of 2021.
- By receiving additional federal subsidies, many taxpayers no longer qualify for the state subsidy they received and therefore must pay this amount back with their tax return.
- Taxpayers who received CA PAS from Covered CA will receive the California Health Insurance Marketplace Statement (FTB 3895).
- Taxpayers must reconcile their CA PAS received on Premium Assistance Subsidy (FTB 3849) when filing their 2021 tax return.
- All taxpayers who received CA PAS must file a tax return regardless of filing requirement thresholds.
- If the taxpayer's subsidy reconciliation results in a balance due, they can [contact FTB](#) to request repayment assistance after filing their tax return and receiving a bill for the balance due. Options are available on the "[If You Cannot Pay](#)" web page on the [ftb.ca.gov](http://ftb.ca.gov) website.

For additional information about [FTB Subsidy Reconciliation](#).

## Health Care Mandate

### Avoid Health Care Mandate penalties

Effective January 1, 2020, state law requires California residents to obtain and maintain qualifying health insurance throughout the year. Franchise Tax Board (FTB) is aware that some taxpayers who had qualifying health coverage may have been assessed an Individual Shared Responsibility (ISR) Penalty on their 2020 tax returns.

The 2021 [Form 540](#), and instructions, have been updated to emphasize that taxpayers should "check the box" on Line 92 if they had qualifying health care coverage for all months of 2021. This includes qualifying health coverage for the taxpayer, spouse, and all dependents claimed on the tax return. In addition, the 2021 [Form 540](#), and the instructions for Line 92, have been updated to state that Medicare Part A or Part C coverage is qualifying health care coverage.

If taxpayers had qualifying health coverage during the year and receive a notice relating to the ISR Penalty, they should respond to the notice with proof of health care coverage.

For more information visit [Health Care Mandate](#).

## FTB 763B Notices Issued as a Result of AB 85 System Changes

### Follow-up article for a Public Service Bulletin posted on our website January 14, 2022

The Franchise Tax Board (FTB) is implementing system changes to accommodate the passage of [AB 85](#) (Stats. 2020, Ch. 8). One of the changes required FTB to create FTB ID numbers for all partnerships not registered with the Secretary of State (SOS), even if it had an Employer Identification Number (EIN) on file. The FTB 763B Notice was issued to notify the partnership of its new FTB ID number.

Approximately 295,000 computer generated notices have been sent since December 7, 2021. These notices resulted in higher call volumes to both SOS and FTB contact centers. Many of the calls were from entities who are no longer doing business in the state, but are still showing active within FTB's systems.

If your client received an FTB 763B Notice and their non-registered partnership is no longer doing business in the state of California, contact FTB to close the account.

#### Phone

Weekdays, 8AM to 5 PM  
800-852-5711  
916-845-6500 (Outside the US)

#### Mail

Franchise Tax Board  
PO Box 3070  
Rancho Cordova CA 95741-1286

If your client received an FTB 763B Notice and their non-registered partnership is still doing business in the state of California, use the assigned number on the notice to file the return and/or make payment to FTB.

If your client received an FTB 763B Notice and they are not associated with the partnership, destruct the notice, or return it to FTB.

If you have questions about registering a non-registered partnership, contact SOS at 916-653-6814 or [sos.ca.gov](https://sos.ca.gov).

## Pass-Through Entity Elective Tax Update

### Senate Bill 113

On February 7, 2022, the California legislature passed [SB 113](#), which, among other provisions, amended the Pass-through Entity Elective Tax and the Pass-through Entity Tax Credit. The following changes apply for taxable years beginning on or after January 1, 2021:

- The Pass-through Entity Tax Credit can reduce the amount of tax due below the tentative minimum tax.
- Qualified net income includes a qualified taxpayers' guaranteed payments received from the qualified entity subject to California personal income tax.
- A qualified entity can have a partnership as a direct owner.
- A qualified taxpayer who is a partner, member, or shareholder of a qualified entity can be a disregarded single member limited liability company (SMLLC), as long as the disregarded SMLLC is solely owned by an individual, fiduciary, estate, or trust subject to California personal income tax.

Additionally, for taxable years beginning on or after January 1, 2022, the Pass-through Entity Tax Credit should be applied after the other state tax credit.

FTB is currently evaluating this new legislation and working to provide updated guidance to taxpayers. For more information on the Pass-through Entity Elective Tax and Tax Credit, please visit our website at [Pass-through entity elective tax | FTB.ca.gov](https://ftb.ca.gov/Pass-through-entity-elective-tax) and [Help with pass-through entity elective tax | FTB.ca.gov](https://ftb.ca.gov/Help-with-pass-through-entity-elective-tax).

## Group Nonresident Return with Nonresident Aliens

### Filing a group nonresident return with nonresident aliens

For taxable years beginning on or after January 1, 2021, and before January 1, 2026, Personal Income Tax Law and the Administration of Franchise and Income Tax Law, allows an entity authorized by the taxpayer to file a group nonresident return on behalf of electing nonresident aliens receiving California source income.

A nonresident alien, who is not eligible for, or has not been issued a federal Social Security Number (SSN) nor Individual Tax Identification Number (ITIN), can be included in the group nonresident return.

For a nonresident alien electing to be included in a group nonresident return, the tax rate or rates applicable to each nonresident's taxable income for services performed in this state for that taxpayer would consist of the highest marginal rate or rates, plus, if applicable, the additional mental health tax, and no deductions or credits would be allowed. As the agent for the electing nonresident aliens, the entity would make all tax payments, additions to tax, interest, and penalties otherwise required to be paid by the electing nonresident alien.

The 2021 Schedule 1067A Nonresident Group Return Schedule has been updated to allow the taxpayer to list the nonresident aliens electing to be included in a group nonresident return that have neither a SSN nor ITIN. Payment for the total tax liability should be attached to a timely filed nonresident group return, along with any other applicable forms and schedules.

To include a nonresident alien who is not eligible for or has not been issued a federal SSN or ITIN in the group nonresident return:

- Complete the group nonresident return
- Complete and attach Schedule 1067A to the group nonresident return
- Attach the total tax liability payment at time of filing the group nonresident return
- Attach all other applicable forms and schedules to filing the group nonresident return

More information on how to complete the group nonresident return, and its other applicable forms and schedules, is provided in [2021 Publication 1067, Guidelines for Filing a Group Form 540-NR](#) or the [2021 Schedule 1067A, Group Nonresident Return Schedule](#).

Additional information can also be found in the April 2021, AB 2660 Tax News article at [AB 2660 estimated tax payment information | FTB.ca.gov](#).

## California Competes Tax Credit

### Application information

For the last application period of Fiscal Year 2021/2022, the Governor's Office of Business and Economic Development (GO-Biz) will accept applications for the California Competes Tax Credit beginning March 7, 2022, through March 28, 2022.

The application period has \$104.7 million available for allocation, plus any remaining unallocated amounts from the previous application periods.

Applications for the credit will be accepted at [calcompetes.ca.gov](#).

For more information visit GO-Biz's Program webpage [California Competes Tax Credit](#).

## Adjusted Interest Rate

### The adjusted interest rate will remain unchanged at 3%

For the period July 1, 2022, through December 31, 2022, the interest rate will:

- Remain at 3%

This is the rate compounded daily that accrues with respect to various state taxes, to include:

- Personal income
- Corporate income
- Franchise income

The rate for corporation tax overpayments for the period will also remain unchanged at 0%.

For more information on [interest and estimate penalty rates](#).

## Business Entities

### How to close a California business entity

In these challenging times, it may be a good time to talk to your small business clients about how to close a California 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 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 with The Franchise Tax Board (FTB) and [Secretary of State](#) (SOS).

#### Requirements for FTB

- File all delinquent tax returns and pay all tax balances, 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 the 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, **the entity must**:

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

For more information on how to revive a suspended or forfeited business entity go to our [revivor process](#) webpage.

## 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 for voluntary administrative dissolution/cancellation. With a written request, the business entity 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 the business entity, we may abate:

- Unpaid qualified taxes
- Unpaid qualified Interest
- Unpaid qualified penalties

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

### Additional steps

There are some additional steps that the business entity may need or want to take while closing your 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.

### 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*
- [Business Help](#) webpage, go to “Close a business” section
- [Sell or Close Your Business](#) webpage on the California Office of the Small Business Advocate Website
- [How do I terminate \(dissolve, surrender or cancel\) my business entity?](#) Question is answered in the FAQ section of [SOS](#) website.



## Ask the Advocate

### Hours of operation and more



Brenda Voet, EA.  
Taxpayers Advocate

Anyone else notice the only major sporting event during March and April is the Master's tournament? Is this a coincidence? Or part of a plan to make sure no one is too distracted during filing season? You decide. Either way, I appreciate all the work you do to help ensure your clients are filing tax returns timely, accurately, and paying the correct amount.

I know your time is limited so I want to use this article to quickly remind you of some helpful items:

### Tax practitioner hotline extended hours

FTB will extend call center hours for the Tax Practitioner Hotline and general pre-filing support. Extended hours as follows:

- March 1, to March 15, 2022: Tax Practitioner Hotline will be open Monday through Friday from 8 AM to 6 PM
- March 31, 2022 Caesar Chavez Day: Tax Practitioner Hotline will be open Thursday from 8 AM to 5 PM
- March 31, 2022 Caesar Chavez Day: Taxpayer Services will be open Thursday from 8 AM to 5 PM
- April 1, to April 18, 2022: Tax Practitioner Hotline will be open Monday through Friday from 8 AM to 5 PM
- April 1, to April 18, 2022: Taxpayer Services will be open Monday through Friday from 8 AM to 6 PM

### Real time registration for MyFTB

You can now register for an individual MyFTB account without waiting for a Personal Identification Number (PIN) letter sent by mail. If you are creating a MyFTB account to access business entities' tax information, you will continue to receive a PIN letter in the mail.

Please note, if you need to add a client or create a new MyFTB account for a non-registered partnership you will need to use the FTB issued temporary ID number. If this temporary ID has been lost or misplaced, you may call the Tax Practitioner Hotline at 916-845-7057.

For more information [Create a MyFTB account](#).

### Flexibility in e-filing Form 565 Partnership return

Only a Federal Employee Identification Number (FEIN) is required for entities who e-file a Form 565 or request a Stand-Alone Electronic Funds Withdrawal (EFW) payment. The Secretary of State (SOS) number is optional when e-filing the Form 565 or EFW request.

## 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.