STATE OF CALIFORNIA
Franchise Tax Board

taxnews

Tax News

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California's conformity with Federal CARES Act

We are currently analyzing and considering the impact of the Federal CARES Act on California taxpayers. However, we wanted to provide some preliminary information regarding conformity to the CARES Act in response to questions we have received.

California conforms

California generally conforms to the pension-related items such as early withdrawal penalty, minimum distribution rule changes, etc. However, California does not have automatic conformity to the changes made with regard to loans from a qualified retirement account.

California does not conform

California does not conform to some of the other changes made by the CARES Act including those related to:

- Loan forgiveness related to the Paycheck Protection program
- NOL Carrybacks
- Charitable contributions
- Student loan forgiveness
- Business interest limitations
- Prior year alternative minimum tax liability (corporations)
- Health-savings accounts changes (California does not conform to health-savings account rules generally speaking)

We will provide additional information to you as we complete our analysis of the CARES Act.

Notice of Tax Return Change mailing delayed

This is the time of year we usually remind you that our Notice of Tax Return Change - Revised Balance (FTB 5818-B) will start going out the last week of May. These notices correct an error(s) made on a 2019 tax return and may result in your clients contacting you. Under normal circumstances we mail them after we process all incoming returns and payments. So far, this year has been anything but normal.

The filing and payment due dates have been extended this year to July 15, 2020. As a result, we will delayed our notices accordingly and anticipate these mailings to begin the last week of August. To keep up to date on this and other FTB information, visit our COVID-19 webpage.

Use our website and search notices for information about this and other FTB notices. Additionally, if you are an authorized representative, you can view your client's notice in MyFTB:

- For your POA clients, use the Client Notices page from your Tax Professional account.

- For your TIA clients, go to your client's MyFTB account and select Notices & Correspondence from the Communications dropdown menu.

Modified collection actions, filing compliance and audit programs

To assist taxpayers and tax professionals impacted by COVID-19 pandemic, we have made some temporary modifications to our:

- Collection actions
- Filing compliance
- Audit programs

We are also temporarily not requiring original signatures for paper returns and other documents. Refer to our COVID-19 frequently asked questions for tax relief and assistance page for complete details regarding these and other relief measures currently in place.

Resources for small business owners and your small business clients

We would like to remind you of the many resources that are available to small business owners and your small business clients. In these challenging times, having correct and up to date information is vital. In an effort to provide the most accurate information possible, FTB, along with other California State Agencies, have informative websites and publications to assist you.

COVID-19 related information

Refer to our COVID -19 webpages for related information that includes information on special tax relief, updates, and extended tax relief for small businesses.

Informative websites

Franchise Tax Board (FTB)

We have a Business section that provides useful links and filing information for the different forms of business ownership. It also includes information on Doing Business in California and important due dates. 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. Also, convenient online services such as Web Pay are available on our website.

Governor's Office of Business and Economic Development (GO-Biz)

GO-Biz offers a comprehensive website called the California Business Portal that features a business navigator, quick start guides, and links to financial assistance. If you or your client is in need of permit assistance, CalGold can point you in the right direction of which permits and licenses you may need for your particular business and location.

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, find forms to start or dissolve/cancel a business entity, and even file statements of information online.

Small Business Assistance Center

The Small Business Assistance Center is another great resource that is located at the California Tax Service Center website, which is sponsored by the state of California and contains useful information for all aspects of your business.

Education and outreach events

Most in-person Education and Outreach events have been cancelled or postponed due to the COVID -19 shelter in place executive order. In the future, please use the following two event calendars to find upcoming events near you.

- FTB Event Calendar – On our website, an event calendar shows upcoming events that are part of our education and outreach efforts. Upcoming small business seminars are listed here.
- CDTFA Event Calendar – This is a comprehensive calendar that lists all upcoming events that are sponsored by the CDTFA. They include small business seminars, new business orientation, basic sales and use tax classes, nonprofit seminars, and more.

Publications

- FTB 1123, Common Forms of Ownership – Filing requirements and general information about the different forms of business ownership. As a business owner, one of your most important decisions is which form of business ownership will best fit your business needs. FTB 1123 gives you the information you need to make an informed decision.
- FTB 984, Common Business Expenses – The most common business expenses are discussed.
- FTB 3556, General LLC Information – Limited Liability Company specific information and how they are considered hybrid business entities that takes characteristics from corporations and partnerships.
- FTB 1060, Guide for Corporations Starting Business in California – Information on corporation filing requirements.

Tips to keep your and your clients' data secure

As you change business practices in response to COVID-19, it is critical that you take the time to review your data security practices. Whether you are working from home or in the office, ensure that your clients' data is secure.

Keep your business safe by doing these things regularly:

1. Track your daily e-file acknowledgements. If there are more acknowledgements than returns you know you filed, dig deeper.
2. Track your weekly Electronic Filing Identification Number (EFIN) usage. The IRS posts the number of returns filed with your EFIN weekly.
   - Access your IRS e-Services account and your EFIN application.
   - Select “EFIN Status” from the application.
   - Contact the IRS e-help Desk if your return totals exceed your number of returns filed.
   - Update your EFIN application with all phone, address, or personnel changes.
3. Track your weekly Preparer Tax Identification Number (PTIN) usage. If you are an attorney, CPA, enrolled agent, or Annual Filing Season Program participant and file 50 or more returns, you can check your PTIN account for a weekly report.
   - Access your online PTIN account.
   - Select “View Returns Filed Per PTIN.”
   - Complete federal form 14157 to report excessive use or misuse of your PTIN.
4. If you have a Centralized Authorization File (CAF) Number, keep your authorizations up to date. Remove authorizations for taxpayers who are no longer your clients. For more information, see IRS Publication 947.
5. Create your online accounts using Secure Access to help prevent account takeovers. Learn how to register for Secure Access.

If you believe your data has been compromised, take the following steps:

1. Report it to your local stakeholder liaison
   Liaisons will notify IRS Criminal Investigation and others within the agency on your behalf. Speed is critical. If reported quickly, the IRS can take steps to block fraudulent returns in your clients’ names and will assist you through the process.
2. Email the Federation of Tax Administrators at StateAlert@taxadmin.org
   Get information on how to report victim information to the states. Most states require that the state attorney general be notified of data breaches. This notification process may involve multiple offices.
3. Email Franchise Tax Board at ftbdatabreach@ftb.ca.gov
   Refer to our Breached businesses and tax professionals for what to include in your email and for more information.

IRS, Security Summit partners warn tax professionals on scams

The IRS, state tax agencies, and the nation’s tax industry continue to see an upswing in data thefts from tax professionals as cybercriminals try to take advantage of COVID-19 and Economic Impact Payments to create new scams.

The Security Summit partners continue working closely together to watch for new threats during the coronavirus.

In addition, IRS Criminal Investigation (CI) is actively working to combat scam artists trying to exploit Economic Impact Payments and other provisions related to coronavirus. The scams CI has already seen look to prey on vulnerable taxpayers who are unaware of how the payments will reach them. IRS CI is prioritizing these types of investigations to help protect taxpayers and the tax system.

1. Tax Pros: Use a Virtual Private Network for extra security
   All tax professionals who are teleworking should be using an encrypted Virtual Private Network or VPN.
2. Multi-Factor Authentication helps protect data
   This year, most tax software providers for tax professionals and for taxpayers are offering the option of multi-factor authentication. Security Summit partners urge the use of this option.
3. Avoid phishing scams
   Identity thieves have stepped up phishing scam efforts to capitalize on COVID-19 and Economic Impact Payments. Crooks are targeting tax professionals as well as taxpayers.

   Taxpayers can report suspicious emails posing as the IRS to their PHISHING mailbox at phishing@irs.gov.
4. Watch out for IRS impersonation scams
   The IRS will not call, email or text anyone about Economic Impact Payments.
5. Don't forget security software
   Everyone, especially tax professionals, should be using broad-based security software that protects not just their computers but mobile phones as well. Security features will help identify and stop potentially dangerous malware that can infect digital networks.

For more help, the IRS and the Security Summit partners urge tax practitioners to review the security measures outlined in Publication 4557, Safeguarding Taxpayer Data.

IRS resources during COVID-19

We have received questions from taxpayers about how to obtain information from the IRS during this difficult time. Please be advised the following information we are providing is from the IRS and may be subject to change:

In its efforts to protect employees, we have been advised IRS services are limited. For example:

- The IRS is unable to process paper tax returns, respond to paper correspondence or staff toll-free live service lines.

- IRS operations to process third-party authorizations are now closed. The IRS has asked that taxpayers not fax requests for Centralized Authorization File (CAF) numbers until further notice.
- The IRS's Income Verification Express Service also is temporarily on hold.

The IRS suggests the following alternatives for tax administration purposes:

- On Get Transcript Online, you can create an account to verify your or a client's identity and immediately review or print a tax transcript. The IRS has indicated that the Get Transcript by mail option is not currently available.
- Use all electronic options available to you on IRS.gov or through your tax software provider.
- For additional information, please see the IRS News Release "IRS urges taxpayers to use electronic options; outlines online assistance."

The federal government is also providing relief and extended filing deadlines. Here is a link to the IRS's Coronavirus Tax Relief webpage with the extended deadlines and other helpful information.

Check on the status of your or your client's Economic Impact Payment

The IRS has developed an application that can give you information about payment status and type and whether more information is needed. Go to Get My Payment for more information.

The IRS has encouraged tax professionals to spread the word to their clients about how to make sure people receive their Economic Impact Payment (EIP) as quickly as possible through direct deposit. While the IRS has indicated many taxpayers will automatically receive a direct-deposit payment, there are still many others who are not in the IRS system and will need to take action to ensure they receive their EIP.

The IRS has developed two posters for distribution – one about payment amounts and eligibility and the other about how to file your 2018/2019 return.

The IRS encourages everyone to be on the lookout for a surge of calls and email phishing attempts about the Coronavirus or COVID-19. These contacts can lead to tax-related fraud and identity theft. Go to Notice IR-2020-64 for more information.

Social media and e-news

The IRS encourages taxpayers to follow the IRS on social media and to sign up for e-news subscriptions for urgent updates on COVID-19, scams, and economic impact payment information. The IRS also uses several social media tools that can provide information. Please see IRS Notice IR 2020-65 for more information on IRS' social media tools.

In addition, taxpayers can also get automatic updates by email. The IRS e-News Subscription service issues tax information by email for many different audiences. It provides tips, tools and helpful materials of interest to taxpayers and organizations. The IRS offers subscription services tailored to tax exempt and government entities, small and large businesses as well as individuals. The service is easy to use; sign up by visiting IRS e-News Subscriptions.

IRS' New Advocate: Erin M. Collins

The Treasury Department and the IRS recently appointed Erin M. Collins as Advocate to replace Nina E. Olson, who stepped down from the position after 18 years. By all accounts, Ms. Olson was a great advocate for all taxpayers and will be missed.

Her successor, Ms. Collins spent much of her professional time prior to the IRS working in tax controversy representing taxpayers and is expected to follow in the footsteps of her predecessor, being a strong and effective advocate for all taxpayers.

Erin Collins has strong ties to California and is a member of the California State Bar. To learn more about Ms. Collins, here is a link to the IRS' News Release announcing her appointment.

Ask the Advocate

Working from home, but still here to help

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

In preparing for this month's column, I looked back to May of last year to see what I wrote about. I do this from time to time because our work tends to be cyclical and there may be certain things that should be mentioned this time of year. In a more normal year, these might be some post-April 15 tips for you, e.g., letting you know when notices will be mailed or the different options available when a balance due to FTB cannot immediately be paid.

Interestingly enough, this is how my May 2019 column, discussing the coming changes to FTB's website began: "2019 has definitely been a year of change for tax professionals. Depending on the focus of your practice, these changes may have been significant for you." While for many practitioners (and FTB) those were significant changes, they pale in comparison to what we have all recently experienced at work, at home, and in our lives.

Like many of you, I am now working remotely as is much of FTB and the IRS. It's an entirely new experience having meetings with my staff and others online, while competing with my children for internet bandwidth at home whenever their "distance learning" is underway. I began my professional career in a time when the internet and personal computers were not widely available and I can only imagine the obstacles we would have faced trying to work effectively from home back then.

FTB still has a minimum number of essential staff on campus though to:

- Keep our systems running
- Process returns
- Answer your phone calls
- Provide assistance to those who contact us online and through MyFTB

However, they are practicing social distancing and working staggered shifts in order to keep everyone safe and healthy.

In the meantime, we are doing our best to keep you updated and informed about the changes to California's tax filing and payment due dates and other time-sensitive matters. I would strongly recommend regularly checking our COVID-19 page. This is a great resource for timely updates on the assistance FTB is providing to California taxpayers and tax professionals impacted by COVID-19. Some of the topics addressed by the FAQs include the extensions to the file and pay dates for nearly all taxpayers, the federal COVID-19 Economic Impact Payments – CARES Act, and the extended deadlines for certain deadlines within a 1031 like-kind exchange, just to name a few. We have already sent a few of the FAQs to you as Tax News Flashes, but there are many others we haven't so it's definitely worth taking a look.

In closing, I hope that all of you are safe, staying healthy and doing well. I look forward to being back in the office and seeing friends and colleagues again. I also look forward to seeing you at some of the larger events we attend each year, sometimes staffing a table or booth. Hopefully, we will be able to do that later this year.

All About Business

Updated Gig Economy webpage

We would like to remind you of the resources that are available regarding the gig economy or shared economy. Our Education and Outreach Team have made a concerted effort to find ways in which we could help get information out to those that are using gig economy platforms such as Uber, Lyft, Airbnb, Postmates, etc.

One very important tool that we created to help inform people about the gig economy was to publish and launch a gig economy webpage. We are pleased to announce that this webpage has been updated with new, important information and resources!

This page now includes links to the different information returns you may receive like the 1099-K, 1099-MISC, or a W-2. Information about estimated taxes, which forms to file, what records to keep, and payment options can also be found there. An exhaustive resources section is also included which contains many helpful links to filing information, useful publications, IRS information, and a link to our Tax News Live Video on YouTube. This video also discusses the gig economy and possible filing requirements.

If you or your client is involved in or thinking about becoming involved in the gig economy, this site is a great resource for your information needs.

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.