



Tax News

April 2017

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IRS alerts tax professionals of email scams

The Security Summit enacted many safeguards against identity theft for 2017, but cybercriminals are ever evolving to trick people into divulging sensitive data.

The IRS, state tax agencies, and the tax industry, acting as the Security Summit, warned tax professionals of last-minute phishing email scams, especially those requesting deposit changes for refunds or account updates.

As the 2017 tax filing season winds down to the April 18 deadline, tax-related scams of various sorts are at their peak. The IRS urged both tax professionals and their clients to be on guard against suspicious activity.

For example, one new scam poses as taxpayers asking their tax preparer to make a last-minute change to their refund destination, often to a prepaid debit card. The IRS urges you to verbally reconfirm information with your client should you receive last-minute email request to change an address or direct deposit account for refunds.

The IRS also suggests that you change and strengthen your own email passwords to better protect your email accounts used to exchange sensitive data with clients.

Also, alert your clients that they may see phishing emails, calls, or texts that pose as familiar organizations such as banks, credit card companies, tax software providers, or even the IRS. These ruses generally urge taxpayers to give up sensitive data such as passwords, social security numbers, and bank account or credit card numbers. Taxpayers who receive suspicious emails purporting to be from a tax software provider or from the IRS should forward them to phishing@irs.gov.

Remember, never open an attachment or link from an unknown or suspicious source. It may infect your computer with malware or steal information. Also, the IRS does not send unsolicited emails or request sensitive data via email.

The Security Summit maintains a public awareness campaign for tax professionals, [Protect Your Clients; Protect Yourself](#), as part of its effort to combat identity theft.

Optional form FTB 3504, Enrolled Tribal Member Certification

In January 2017, we released a new optional form to the Native American Tribal community.

Form FTB 3504, Enrolled Tribal Member Certification, provides a way for tribal members to communicate their enrolled status and residency within their Tribe's federally recognized Indian Country to us.

There is no mandatory filing requirement for form FTB 3504. Tribal members have the option to voluntarily submit the form in an effort to reduce unnecessary contacts with us and ensure their declaration of reservation residency is properly identified by FTB. If the reservation source income is the enrolled tribal member's only income, form FTB 3504 can be filed as an information return. If the enrolled tribal member has additional income sourced to California, they can file form FTB 3504 with their tax return.

When filing Form 540 with a form FTB 3504, ensure the income included in federal income that is exempt for California is entered on Schedule CA (540), column B and write "FTB 3504" on line 21f.

You can find additional information about form FTB 3504 by visiting our Native American webpage at https://www.ftb.ca.gov/individuals/Native_Americans/index.shtml, calling our information line at 916.845.2790, or emailing us at TribalHotline@ftb.ca.gov.

New tax return due dates for business entities

Important reminder for the month of April.

For taxable years beginning on or after January 1, 2016, the original and extended tax return due dates for California returns have changed for business entities.

C corporations and limited liability companies taxable as corporations:

- The original tax return due date is now April 15 which used to be March 15 for calendar year filers. For fiscal year filers, the new due date is the 15th day of the 4th month following the close of the taxable year.
- The extended due date has not changed and remains to be October 15 for calendar year filers and the 15th day of the 10th month following the close of the taxable year.

Refer to this chart for the more details about due date for business entities.

Computation of underpayment estimated tax penalty for corporations

Corporate taxpayers are required to make estimated tax payments in four installments.

The installments are due and payable by the 15th day of the 4th, 6th, 9th, and 12th month of the taxable year. Corporations are required to pay the following percentages of the estimated tax liability during the taxable year:

- 30 percent for the first required installment
- 40 percent for the second required installment
- No estimated tax payment is required for the third installment
- 30 percent for the fourth required installment

Assembly Bill 1775, enacted in September 2016, changed the original tax return due dates for business entities. See this chart. Corporation tax return due dates changed from 15th day of the 3rd month to the 15th day of the 4th month. However, there is no change to the penalty computation dates.

If a required installment is underpaid or late, a penalty is still imposed from the due date of the estimate payment to the earlier of the:

- Date of the payment.
- 15th day of the 3rd month after the close of the taxable year if filing as a C corporation or as an S. corporation, or 15th day of the 5th month after the close of the taxable year if filing Form 109.

Revenue and Taxation Code Section 19145 allows a penalty to apply for underpayment of estimated tax payment and requires that the underpayment penalty to be computed to date of payment or to the 15th day of the 3rd month.

Form FTB 5806, Underpayment of Estimated Tax by Corporations, incorrectly calculated the period of underpayment for C corporations from the installment due date to the original return due date (15th day of the 4th month). On March 6, 2017, we revised form FTB 5806 to reflect the correct penalty computation date for C corporations as 15th day of the 3rd month. C corporations that computed their underpayment of estimate tax payment penalty on form FTB 5806 prior to the form revision may receive a notice from us adjusting the penalty amount.

Tax-exempt organization - Activity checks letters

We periodically review the activities of tax-exempt organizations to determine if the organizations' current operations are in compliance with their tax-exempt purpose. In some cases, we will send an Activity Check letter to the organization.

Tax-exempt organizations are required to be organized and operated for nonprofit purposes within the provisions of the Revenue and Taxation Code (R&TC) under which the organization's tax-exempt status is approved. Inactive organizations are not entitled to exemption.

When an organization receives the Activity Check letter from us, the following information is requested:

- A detailed narrative description of the activities presently carried on by the organization, including a description of any services performed.
- A copy of the financial statements for the last two years.

Based on the information provided, if we determine the organization is active and operating, we will notify the organization, and no further action is required. If an entity is no longer active and operating under its tax-exempt purpose, the organization is not entitled to tax-exempt status. Therefore the tax-exempt status may be revoked. Inactive incorporated or qualified organizations are then provided information on how to formally dissolve with the California Secretary of State.

Voluntary contribution fund correction

The Child Victims of Human Trafficking fund expired, but was inadvertently included in the Voluntary Contribution Section of 2016 Forms 540, 540 2EZ, 541, 540NR Long and 540NR Short.

We published revised tax forms on our website on March 17. Also, we notified tax software providers on March 17 to update their tax preparation software. If this fund is still appearing in the tax software you are using, please contact your software provider to ensure they have made the forms update.

For returns that have not completed processing, taxpayers will receive a notice indicating that we did not process their contribution. As a result, their refund or balance due may be adjusted in the taxpayer's favor.

Taxpayers who already filed and donated to the fund on their 2016 tax return may receive an additional refund. They will receive a letter explaining the adjustment on their return.

Free live webinar on the Interagency Intercept Collections program – Client participation basics

The Interagency Intercept Collections Program offsets payments to individuals who have delinquent debts owed to government agencies and California colleges. The cost of the program is approximately \$2 per offset. In 2016, this program collected over \$323 million dollars for participating agencies.

Through this webinar, new agencies will learn the easy steps to join the program and tap into this revenue source, while existing participants can understand program changes. You can learn how this program may affect your clients.

When: May 16, 2017

Time: 10 a.m. Pacific Time

[Register](#) now to join our live broadcast.

During this **1-hour** webinar we will cover the following key topics related to the Interagency Intercept Collections Program:

- Program Overview
- Benefits of Participation
- Eligibility and Participation Requirements
- How to Participate
- Client Roles and Responsibilities
- Account Management
- Program Changes
- Resources and Contact Information

Go to our Interagency Intercept Collections Program webpage to learn more about this low cost collection tool.

[Information directory updated](#)

When you need a phone number, web, email, or location address, refer to our recently updated FTB 1240, California Franchise Tax Board Information Directory. This compact online listing contains a wealth of contact information.

Ask the Advocate

As the filing deadline approaches...



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

We are rapidly approaching the initial filing deadline on April 18 and I know that many of you have been putting in long hours since January to get everything done on time. Several of my staff previously worked in public accounting and private industry before coming to FTB, so I have a pretty good idea from talking to them and many of you, just how demanding tax season can be. Hopefully, the next two weeks will go smoothly for you and then you are able to take some well-deserved time away from the office.

If you are a regular subscriber or reader of Tax News, you may have noticed that this month's issue is a little lighter on content than normal. I can assure you this isn't due to a lack of information we want to get out to you! Instead, we recognize and appreciate that April is likely the busiest month of the year for most of our readers and that many of you wouldn't have the time to read and absorb our usual number of articles. But, we also didn't want to skip a month entirely, so we decided an abbreviated issue might work best for everyone.

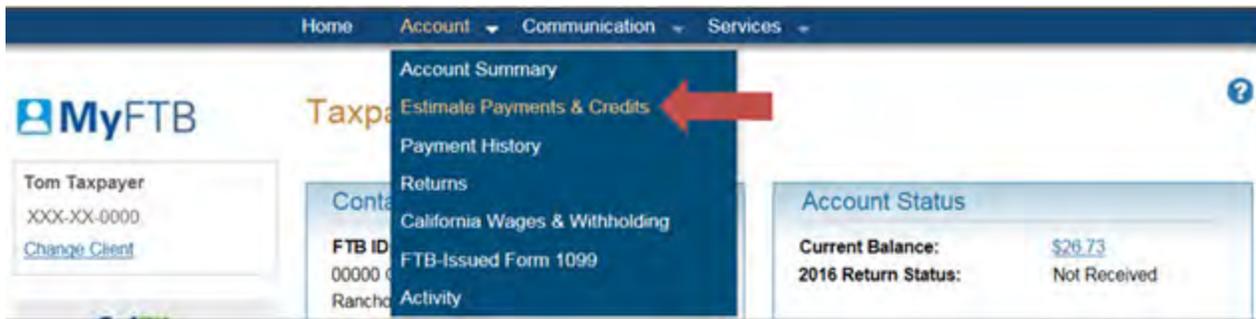
We will be back to normal for next month. Some of the issues we are looking forward to covering in the coming months include updates on the market-based sourcing regulations, changes to our Power of Attorney (POA) process, our new customer service dashboard, and many other topics of interest to you, the tax professional. Stay tuned!

MyFTB Corner

[View estimate payments and credits in MyFTB](#)

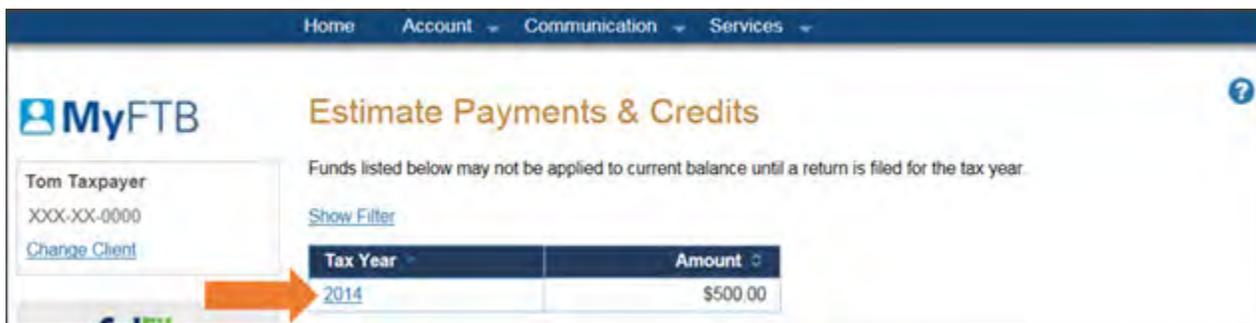
With tax season upon us, you can access a variety of account information for your clients in MyFTB, including estimate payments. This information is readily assessable once you've accessed your client's MyFTB account.

To view estimate payments and credits select **Estimate Payments & Credits** from the **Account** dropdown menu.

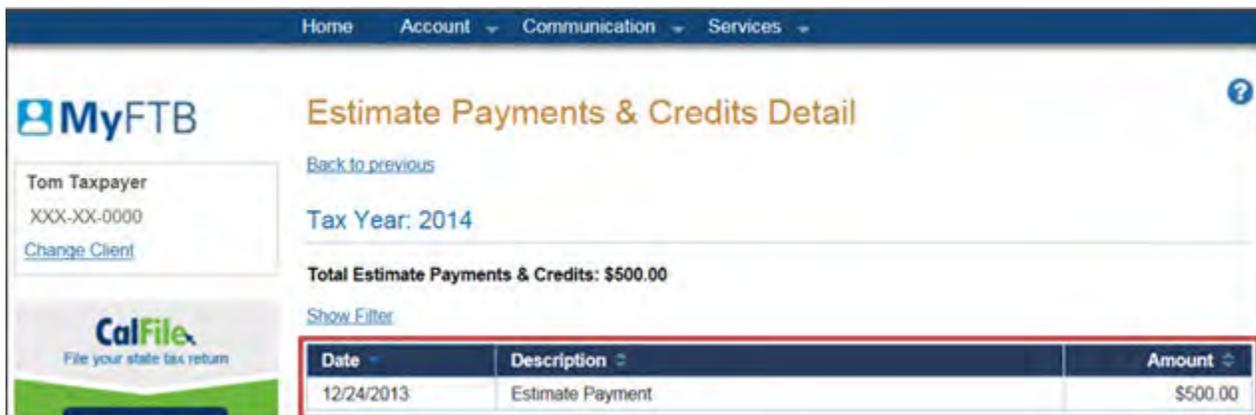


The **Estimate Payments & Credits** page provides you with a list of tax years that have funds available.

Select the tax year to go to the **Estimate Payments & Credits Detail** page to view a list of the estimate payments and credits for the selected tax year.



For each payment and credit, you can view the date it was received, the type of payment or credit, and the amount.



To add a client to your MyFTB account see [How to Add a Client to My Client List](#). For more information on MyFTB go to ftb.ca.gov and select the MyFTB Learn More link.

All About Business

Statute of limitations on collection actions

Is FTB Trying to Collect Beyond 20 Years?

For many years, no statute of limitations (SOL) existed on the collection of an income or franchise tax liability. Beginning in 2006, an SOL on our collection actions went into effect with the enactment of Revenue and Taxation Code (R&TC) Section 19255. That section applies to all then-existing and future tax liabilities owed to FTB.

Generally, we may not collect on a liability for a taxable year after twenty years after the latest liability for the taxable year becomes due and payable. A liability is due and payable under Section 19255 when it is due and payable under R&TC Section 19221. Under Section 19221, where a liability is based on a return, the liability is due and payable when it is established on our records, except that such due and payable date will not be prior to the day after the payment due date (generally, April 16). Where a liability is based on a jeopardy assessment, the liability is due and payable when our finding is mailed or issued. For all other liabilities, the liability is due and payable on the date the assessment is final. The due and payable date is commonly called the statutory lien date.

If there is more than one liability for a taxable year and those liabilities have different due and payable dates, the SOL will expire for all of the liabilities twenty years after the latest due and payable date. For example, if a return liability is established on our records on January 1, 2016 and a liability based on a subsequent audit goes final on January 1, 2017, the SOL will not expire on either liability until twenty years after January 1, 2017. In addition, the imposition of a fee (e.g., lien fee or collection fee) related to a tax-year liability will restart the twenty-year SOL for that liability. The twenty-year SOL is suspended during certain periods. For example, the SOL is suspended during the period when we are prohibited from collecting due to a bankruptcy, plus six months; during periods when we are precluded from levying under the statute applicable to installment agreements; and during any other period during which collection is suspended, postponed or extended by operation of law.

If we file a civil action to recover the tax liability prior to the expiration of the twenty-year SOL, the SOL will be extended and will not expire until the judgment is satisfied or becomes unenforceable under the laws applicable to judgments. And if we file a claim for the tax liability

in a probate action prior the expiration of the SOL, the SOL will be extended and will not expire until the probate claim is satisfied.

Upon expiration of the twenty-year SOL, the liability is abated by reason of lapse of time, and we release, withdraw or otherwise terminate any collection actions related to the liability, and do not take any subsequent administrative or civil action to collect the liability. Any amount we inadvertently collect will be refunded to the taxpayer if we discover the mistake or the taxpayer requests a refund, provided the discovery or request is timely under applicable refund statutes.

For more information on your clients in collection status, go to ftb.ca.gov and search for Collection Procedures Manual (CPM).

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.