



Tax News

February 2016

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What's new for filing 2015 tax returns

Standard deductions

The standard deduction amount for single or separate taxpayers increased from \$3,992 to \$4,044 for tax year 2015. For joint, surviving spouse, or head of household taxpayers, the standard deduction increased from \$7,984 to \$8,088 for tax year 2015.

Personal exemptions

The personal exemption amount for single, separate, and head of household taxpayers increased from \$108 to \$109 for the 2015 tax year. For joint or surviving spouse, the personal exemption credit increased from \$216 to \$218.

Dependent exemptions

The dependent exemption credit increased from \$333 per dependent claimed in the 2014 tax year to \$337 each for 2015.

Voluntary contributions

Personal income taxpayers may contribute to the following two new funds:

State Children's Trust Fund for the Prevention of Child Abuse.

Prevention of Animal Homelessness & Cruelty Fund.

Earned Income Tax Credit

For taxable years beginning on or after January 1, 2015, the refundable California Earned Income Tax Credit is available to taxpayers who earned wage income within California and lived here for more than six months. This credit is similar to the federal Earned Income Credit. This credit is available to taxpayers with earned income of less than \$13,870. Additional information can be found on California form FTB 3514, California Earned Income Tax Credit.

Payments and credits applied to use tax

For taxable years beginning on or after January 1, 2015, if an individual or a corporation includes use tax on their income tax return, payments and credits will be applied to use tax first, then towards income tax, interest, and penalties. Additional information can be found in the instructions for the taxpayer's income tax return.

Dependent social security number (SSN)

For taxable years beginning on or after January 1, 2015, taxpayers claiming an exemption credit must write each dependent's SSN in the spaces provided within line 10 on Form 540, California Resident Income Tax Return and Long or Short Form 540NR, California Nonresident or Part-Year Resident Income Tax Return or line 8 on Form 540 2EZ, California Resident Income Tax Return.

Financial incentive for seismic improvement

For taxable years beginning on or after January 1, 2015, taxpayers can exclude from gross income any amount received as loan forgiveness, grant, credit, rebate, voucher, or other financial incentive issued by the California Residential Mitigation Program or the California Earthquake Authority to assist a residential property owner or occupant with expenses paid, or obligations incurred, for earthquake loss mitigation. Additional information can be found in the instructions for the taxpayer's income tax return.

Disaster losses

For taxable years beginning on or after January 1, 2014, and before January 1, 2024, taxpayers may deduct a disaster loss for any loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency. For these Governor-only declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. Additional information can be found in the instructions for form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts, and form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations.

Slain Officer Family Support contribution

California does not conform to the federal Slain Officer Family Support Act of 2015, enacted April 1, 2015. For federal, taxpayers can choose to treat cash contributions for the relief of the families of slain New York Police Department detectives made between January 1, 2015 and April 15, 2015, as if made on December 31, 2014. Eligible contributions can be claimed on either a 2014 or 2015 federal tax return, but not both. Contributions made after April 14, 2015, but on or before December 31, 2015, can only be claimed on a 2015 federal tax return. For California purposes, contributions may only be claimed on a 2015 tax return. Taxpayers, who claimed contributions under the Slain Officer Family Support Act on their 2014 federal tax return, will make an adjustment to their 2015 California tax return to add the amount of the contribution to their charitable deductions. Taxpayers, who erroneously deducted the

contribution on their 2014 California tax return, will need to amend their 2014 tax return to reduce the contribution.

Head of Household (HOH)

For taxable years beginning on or after January 1, 2015, California requires taxpayers who use HOH filing status to file form FTB 3532, Head of Household Filing Status Schedule, to report how the HOH filing status was determined.

Credits

Natural Heritage Preservation Credit

For qualified contributions made on or after January 1, 2015, the credit carryover period has been extended to 15 years or until exhausted whichever occurs first. Any unused credits remaining before January 1, 2015, will remain subject to an eight-year carryover provision. In addition, the period for when a qualified contribution is made, for which a tax credit will be allowed, has been extended to June 30, 2020.

Enterprise Zone (EZ) Sales or Use Tax Credit

For taxable years beginning on or after January 1, 2015, taxpayers cannot generate the EZ Sales or Use Tax Credit. However, taxpayers can claim the EZ Sales or Use Tax Credit carryover from previous years.

Extend the time for payment of taxes for corporations expecting net operating loss carryback

A corporation or exempt organization that expects a net operating loss (NOL) in the 2016 taxable year can file form FTB 3593, Extension of Time for Payment of Taxes by a Corporation Expecting a Net Operating Loss Carryback, to extend the time for payment of taxes for the immediately preceding 2015 taxable year. This includes extending the time for payment of a tax deficiency. The payment of tax that can be postponed cannot exceed the expected overpayment from the carryback of the NOL. For more information, get form FTB 3593.

Minimum wage

Beginning on and after January 1, 2016, the minimum wage is \$10.00 per hour. The California minimum wage was \$9.00 per hour from July 1, 2014, through December 31, 2015.

MyFTB client list

With the launch of the enhanced MyFTB, tax professionals can register as a Tax Preparer and access their clients' accounts online.

You do this directly from the **Client List** page – your home page in MyFTB. You may view, add, and manage your clients on the **Client List**.

There are two types of clients that may be viewed on the **Client List** and they are distinguished based on **Access Type**: Tax Preparer or Power of Attorney (POA).



The screenshot displays the MyFTB Client List interface. On the left, there are navigation options for CalFile, starting a return, and contacting support. The main area features a search bar and a table of search results for individual clients. The table has columns for Last Name, First Name, SSN/ITIN, Expiration Date, Access Type, Status, and Actions. The 'Access Type' column is highlighted with a red box, showing three entries: Bernard Doe (Power of Attorney), Jeannie Doe (Power of Attorney), and Michael Doe (Tax Preparer).

Last Name	First Name	SSN/ITIN	Expiration Date	Access Type	Status	Actions
Doe	Bernard	XXX-XX-0000	07/13/2019	Power of Attorney	Active	View POA
Doe	Jeannie	XXX-XX-0000	07/21/2019	Power of Attorney	Active	View POA
Doe	Michael	XXX-XX-0000	09/26/2016	Tax Preparer	Active	Remove

Access types

As a tax preparer (**without** a POA declaration), you may:

- Access information needed to prepare a return for your client.
- View information for clients you added through MyFTB within the last 13 months (Refer to the [How to Add a Client to My Client List](#) for instructions on how to add a client to your client list).
- Access your clients' for 13 months unless you or your client terminates your access earlier.
- Maintain continued uninterrupted client access by re-adding clients prior to the 13 month expiration date.
- Choose not to re-add client before their expiration date, so they will no longer display on your **Client List**.
- Remove a client from your **Client List** by selecting **Remove** in the **Actions** column.

Tax preparer (**with** a POA declaration):

As a Tax preparer who is registered in MyFTB *and* has a processed POA declaration, you may:

- Access all the information and take the actions detailed above.
- View additional information, such as view images of tax returns, notices and correspondence, and receive email notifications of notices sent to your client and act on behalf of the taxpayer by submitting protests or updating contact information; see [Changes Coming for Power of Attorneys on January 4, 2016](#) in the November Tax News.

The screenshot displays the MyFTB Account Client List page. On the left, there are links for 'CalFile', 'Start My Return', 'Contact Us', and 'Secure Chat'. The main content area is titled 'Client List' and includes buttons for 'Add Individual Client', 'Add Business Client', 'File a Power of Attorney', and 'Missing Clients?'. Below these is a search bar labeled 'Search for Client'. The search results are titled 'Search Results - Individual Clients' and include a 'Show Filter' link. A table lists three clients with columns for Last Name, First Name, SSN/ITIN, Expiration Date, Access Type, Status, and Actions. A red arrow points to the 'View POA' link in the Actions column for the first client, Bernard Doe.

Last Name	First Name	SSN/ITIN	Expiration Date	Access Type	Status	Actions
Doe	Bernard	XXX-XX-0000	07/13/2019	Power of Attorney	Active	View POA
Doe	Jeannie	XXX-XX-0000	07/21/2019	Power of Attorney	Active	View POA
Doe	Michael	XXX-XX-0000	09/26/2016	Tax Preparer	Active	Remove

Information about POA representatives:

- The information available for a POA representative to view depends on the tax years or account periods for which the POA Declaration was submitted.
- If you submitted your POA Declaration on or after October 1, 2014, the POA clients automatically display on your Client List. If they do not display, contact the Tax Practitioner Hotline at 916.845.7057.
- Allow 30 business days after submitting the POA Declaration online for your client to display on your Client List. If you do not see your client after 30 business days, contact the Tax Practitioner Hotline at 916.845.7057.
- To add a POA client, File a POA Declaration (Refer to the [How To Submit a FTB Form 3520, Power of Attorney Declaration](#) for instructions on how to submit a POA Declaration online).
- POA Declarations require processing before your client will display on your Client List, refer to the [POA page](#) for more information.

- If you submit your POA Declaration by paper and indicate that you meet an exception, allow up to 45 days for processing. If you did not indicate that you meet an exception, processing can take 90 days or more.
- If you submitted a POA Declaration to FTB prior to October 1, 2014 and you want online access to your client's account with the additional Power of Attorney features, submit a new POA Declaration (Refer to the [How To Submit a FTB Form 3520, Power of Attorney Declaration](#) for instructions on how to submit a POA Declaration online).
- POA clients display as a single row on your Client List, even if you have multiple POAs for the client. Select **View POA** in the **Actions** column to view a list of the POAs for a specific client. View and manage the POA from the **POA Detail** page.

What clients will display when MyFTB is first accessed?

- Clients with a POA Declaration submitted on or after October 1, 2014 will automatically display.
- The Client List is available to display up to 200 Individual clients (the number of clients you can add is unlimited).
 - Use the **Search for Client** section to search for Business, Estate, and Trust clients or filter your results.
- Tax Preparer (non POA) clients will not display; they must be added (Refer to the [How to Add a Client to My Client List](#) for instructions).

Search for clients

To search for a client, select the “+” to expand the **Search for Client**.

Here you may select to view by **Client Type**:

- Individual
- Business
- Estate/Trust

For POA representatives, you can search for active POA clients:

- Select **Access Type** of POA.
- Select **POA Status** of Active.
- Select the **Search** button.

If the search results display more than 200 results, refine your search results by adding more information such as a last name, first name, or ID number.

Note: Estate, Trust, and Nonresident Group Return client accounts are not available online at this time. However, from your **Client List** you can view details of active and pending POAs for Estate and Trust clients and manage active POAs.

MyFTB | ACCOUNT **Client List** ?

[Add Individual Client](#) [Add Business Client](#) [File a Power of Attorney](#) [Missing Clients?](#)

CalFile
File your state tax return

[Start My Return](#)

[Contact Us](#)

[CHAT NOW](#)
Secure Chat

Search for Client →

* **Client Type:**
 Individual Business Estate/Trust

Note: Nonresident Group Return clients are not available online at this time.

Client Information:

Last Name:

First Name:

SSN/ITIN:

* **Access Type:** POA

* **POA Status:** Active

[Search](#)

Features by access type

The below table highlights the various MyFTB features you can access for your client based on your Access Type.

MyFTB Feature	Description	Access Type	
		Tax Preparer	Power of Attorney
Account			
Overview	View summary information, including alerts, contact information, current balance, return status, and account access.	✓	✓
Account Summary	View current balance and list of tax year links to access tax year details.	✓	✓
Estimate Payments & Credits	View list of account periods with suspense credit funds available.	✓	✓
Payment History	View list of payment information applied to an account.	✓	✓
Returns	View a list of returns received by FTB, including status.	✓	✓
Return Images	View the tax return image. Note: e-filed returns are automatically available. Paper returns images are available upon request.	-	✓
Proposed Assessments	View Proposed Assessments. Initiate a response or protest to a Proposed Assessment.	-	✓
California Wages & Withholding	View the total CA wages and withholding by tax year, as reported by an employer. <i>Individual Clients Only</i>	✓	✓
FTB-Issued Form 1099	View a list of original 1099-G or INT forms and amounts issued by FTB.	✓	✓
Activity	View a list of key activities that occurred on the account.	✓	✓
CalFile Link	e-file a CA state income tax return directly to FTB. <i>Individual Clients Only</i>	✓	✓
Communication			
Notices and Correspondence	View notices and correspondence sent and received by FTB. Note: A Tax Preparer will only see messages they send on behalf of their client using MyFTB.	-	✓
Start Chat	Initiate an authenticated Live Chat (can ask account-specific questions).	✓	✓
Email Notifications	Receive email notifications when your client receives a notice from FTB (sent to the email, if provided, on the POA Declaration).	-	✓
Send Message	Send a secure message (with or without attachments) to FTB.	✓	✓
Services			
Calculate Tax	Look up tax for various tax years. <i>Individual Clients Only</i>	✓	✓
Calculate Refund Or Balance Due	Calculate refund or balance due amounts based on total tax and the date a taxpayer will file/pay. <i>Individual Clients Only</i>	✓	✓
Calculate Future Balance	Calculate a future balance if balance not paid on current date.	✓	✓
File Power of Attorney	File a Power of Attorney Declaration.	✓	✓
File Nonresident Withholding Waiver Request	File a Nonresident Withholding Waiver Request (FTB Form 588).	✓	✓
Other Services	Access links to additional services and information.	✓	✓
Profile			
Update Contact Information	Update name, address, phone, or email as well as notice preferences (paper or email).	-	✓

For more information relating to Tax Preparers, see the [Tax Preparer Tour of MyFTB](#) in the December Tax News.

Obtaining your client's permission to view their MyFTB account

If you do not have a Power of Attorney with your client, you need to obtain your clients' permission to access their MyFTB account.

Tax Professionals can use FTB 743, Online Account View Access Authorization, (or equivalent form) from your client to gain permission to their account. Do not mail this form to us; keep it in your records.

Below are additional important details regarding accessing your client's MyFTB account:

1. When adding your client to your **Client List** you must acknowledge that you have your client's permission to view their account, see below image. Access [How to Add a Client to My Client List](#) for more details.

MyFTB | ACCOUNT **Add Individual Client**

To access an account, you must have your client's permission and the following information. We recommend that you keep a signed copy of [Online View Access Authorization](#) for each client whose account you view online.

* **Required field**

Individual Client Information

* Client's Last Name: Doe

* Client's Social Security Number: 000-00-0000

* Year of the Tax Return: 2014

* Client's Filing Status for the Year You Chose: Single

* CA AGI Shown on that Return: 38563

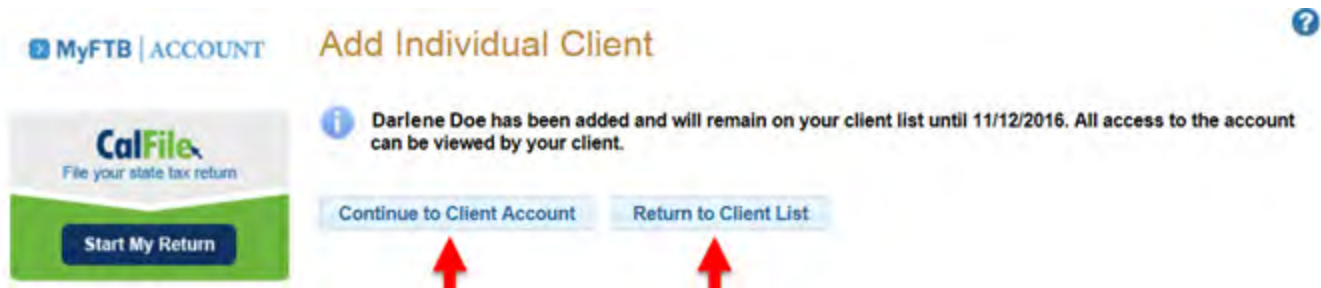
Select if AGI is negative

Read and check the box before submitting

Under penalties of perjury under the laws of the State of California, I acknowledge that obtaining taxpayer account information is the privilege of the taxpayer and their authorized representatives and that unauthorized access to account information is unlawful as described in California Penal Code Section 502, Revenue & Taxation Code Section 19542.1, IRC Sections 7213, 7213A and 7431 and Title 18 and Civil Code 1798.53.

Submit **Cancel**

2. After submitting the request to add the client to your **Client List**, you will receive the following confirmation indicating: 1) the client you have added, 2) how long the client will remain on the account, and 3) your access can be viewed by your client.



After you add your client to your **Client List**, your client will receive an acknowledgement letter from FTB (Access Granted to Your MyFTB Account) notifying them that you have added them as a client through MyFTB allowing you access to limited account information tax account information to help prepare their taxes.

Note: The letter your client will receive lists your individual name (we are unable to add a company or firm name). You should notify your client that you will be adding them to your **Client List** and they will be receiving this letter from us.

When your client accesses their MyFTB account, they will receive a notification of when you accessed their account under **Account Access** on their Home Page, see below for sample message.

Account Access

Last Accessed: 11/15/2015 12:09 PM

Last Accessed By Another User: 09/30/2015 06:28 PM Tax Preparer - Jack Frost

[View More Account Activity](#)

MyFTB registration – Common questions

As of February 1, over 115,500 users have registered for MyFTB. Below are answers to some of the top questions we have received to date.

Q: Do I need to have a power of attorney (POA) declaration processed before I can speak to an agent regarding a taxpayer's account?

A: We will work with tax professionals to help you with your clients' account prior to processing the POA declaration. Specific tax matters such as a levy, order to withhold, lien, audit, and filing

enforcement will be considered. Before our agents can assist with the call, you will need to pass “identity proofing” *and* provide specific information on the notice or transaction. Be sure to obtain specific information from your client related to the account question prior to calling us. We will only discuss the tax matter indicated on the notice or regarding the transaction.

Q: Do my clients need to have a MyFTB account to make a payment?

A: No. Both individuals and business entities can continue to use Web Pay without registering for a MyFTB account. Web Pay for Individuals and Web Pay for Businesses are available directly from the ftb.ca.gov homepage.

Q: How will I receive my PIN?

A: Your PIN will be mailed by US mail to the address associated to the tax preparer ID you provided during registration. For example, if you register for MyFTB using your PTIN, we mail your PIN to the address provided to the IRS when you renewed or registered for your PTIN.

Q: How long will it take to receive my PIN?

A: Allow 10 days to receive your PIN by US mail. If you do not receive it in 10 days, please call us at:

Phone:

800.852.5711, Monday through Friday, 8 a.m. to 5 p.m., except state holidays.
916.845.6500 (outside U.S.)

California Relay Service

711 or 800.735.2929

TTY (Device to Device)

800.822.6268

Q: Can I get my PIN over the phone?

A: For security reasons we are unable to provide the PIN over the phone, FAX, or chat. If you need assistance before receiving your PIN, [contact us](#). You can also go to any FTB field office to receive your PIN in person by presenting a valid government ID. Search for **office** on ftb.ca.gov for office locations.

Q: What if I forget my User Name or password prior to logging in with my PIN?

A: Your User Name and password are needed to complete your registration. If you can't remember them, you will need to restart the registration process. Call us at 800.353.9032 we will reset your password and security questions.

Q: If I just received my PTIN from the IRS, when can I register for a Tax Preparer MyFTB account?

A: Allow approximately 10 days from the date you receive your PTIN from the IRS to register for MyFTB.

Q: Can an individual register for a MyFTB account if they have not filed a California return in the last five years?

A: No. To register for an account, an individual must have filed a return for one of the last five taxable years.

Q: Which AGI is needed for registration?

A: California AGI from the original return, NOT federal AGI. Be sure to select the appropriate tax year for the California AGI entered.

Q: Do I need permission to view my client's account?

A: Yes. Tax Preparers need to obtain permission to access a client's online MyFTB account. You can use [FTB 743](#), Online Account View Access Authorization, (or equivalent form) to gain permission. Do not mail us this form; keep it for your records. We recommend you notify your client that they will receive this letter from us. See Obtaining Your Client's Permission to View Their MyFTB account for more details.

For more information see MyFTB Account Registration – Frequently Asked Questions.

Are you on a tight schedule?

Filing reminders can help

If you are having trouble getting your tax return completed by April 15, here are some helpful filing reminders to help those who are on a tight schedule.

If you are having trouble getting your tax return completed by April 15, here are some helpful filing reminders to help those who are on a tight schedule.

April 18, 2016

Save the date! April 18, 2016, is the due date for 2015 California state personal income tax returns. Normally, the due date would be April 15. However when the due date falls on a weekend or holiday, the deadline to file and pay is extended to the next business day. Due to the Emancipation Day holiday celebrated in Washington DC on April 16, 2016, tax returns filed and payments mailed or submitted on April 18, 2016, will be considered timely. If the balance is not paid by this date, penalties and interest may apply.

For more information on individual's due dates, go to ftb.ca.gov and search [due dates](#).

Automatic paperless extensions - Personal income tax law

If you are unable to file your client's 2015 California state personal income tax return by April 18, 2016? Not a problem, we allow an automatic six-month extension to file without the need to file a written request if the return is filed within six months of the original due date. This applies to all taxpayers filing Forms 540, 540NR, 540EZ, 541, and 565. The extension time period for fiscal and calendar year taxpayers is the original due date plus six months. This granting of the extension is conditioned on the filing of a return within the automatic extension period. To read the automatic paperless extensions for personal income tax law in detail check out FTB Notice 91-3.

Note: This extension to file is not an extension of time to pay. Tax is due on the original due date of the return without regard to extension.

Form 1099, who do I send it to?

Here's a quick refresher on who to send your form 1099s to:

If you use the IRS Combined Federal/State Filing Program¹ you only have to file once. The IRS will forward the information provided on the following forms to FTB:

- 1099-B
- 1099-DIV
- 1099-G
- 1099-INT
- 1099-K
- 1099-MISC
- 1099-OID
- 1099-PATR
- 1099-R
- 5498

You are still responsible to file the following IRS information returns with FTB:

- 1098
- 1098-E
- 1098-T
- 1099-A
- 1099-C
- 1099-LTC
- 1099-Q
- 1099-S

California payers who file paper information returns with the IRS should not send a paper copy to FTB. The IRS will forward the information to FTB, whether the payer is located inside or outside of California.

¹ Information on the Combined Federal/State Filing Program is available in the [IRS Publication 1220](#), Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, 8935, and W-2G.

Payers subject to an exception that requires them to report differently for federal and state purposes, such as a different dollar amount, must file separate information returns with the IRS and FTB.

While we encourage you to file electronically, if you must file a paper return with us, mail it to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO, CA 94240-6090

In general, the penalty for each failure to file an information return with the IRS and/or the FTB is \$50, with an annual maximum of \$250,000. If the failure is due to intentional disregard, the penalty is the greater of \$100 or 10 percent of the total amount of the items that should have been reported with no maximum. Penalties may be waived for reasonable cause.

The IRS has many different federal forms 1099 that report various types of income such as nonemployee compensation, interest and dividends, or brokerage proceeds. For a complete list of all required returns and what to report, go to [irs.gov](https://www.irs.gov) and search for [A Guide to Information Returns](#).

Payers should not file the following IRS forms with us:

- 1099-CAP, Changes in Corporate Control and Capital Structure
- 1099-H, Health Insurance Advance Payments
- 1099-SA, Distributions From an HSA, Archer MSA, or Medicare Advantage MSA
- 5498-SA, HSA, Archer MSA, or Medicare Advantage MSA

Tip: When we examine business records, failure to report payments made for attorney fees is one payment area where we often see noncompliance. While payments made to a corporation are generally an exception to the requirement to report on a federal Form 1099-MISC, payments made to a corporation for legal services, such as attorneys' fees, have been required to be reported since 1998. Medical and health care payments are also required to be reported even if paid to a corporation.

For more information, read the Tax News article, [Filing the Correct 1099 for the IRS](#).

Charitable contribution limitations and carryovers

In the January issue of Tax News, we discussed the general rules for charitable contributions made by individuals including the substantiation requirements. This month, we want to touch briefly on the 50 percent, 30 percent, and 20 percent contribution limitations.

Based on federal adjusted gross income (AGI), the carryover rules and a reminder to double-check that any contributions carried over from prior years are properly limited in the current year.

Contribution limitations

An individual's deduction for charitable contributions is limited overall to 50 percent of their federal AGI, computed without regard to the net operating loss carryback deduction. However, certain charitable contributions are limited to 30 percent and 20 percent of federal AGI.

Contributions limited to 50 percent of federal AGI are generally those made to:

- Churches, and conventions or associations of churches.
- Educational organizations.
- Hospitals and certain medical research organizations associated with these hospitals.
- Publicly supported charities.
- The United States, any state, a U.S. possession including Puerto Rico, or a political subdivision.
- Private operating foundations.
- Private nonoperating foundations that make qualifying distributions.
- Certain private foundations.

Note: An organization will generally be able to tell the taxpayer whether it is a 50 percent limit organization.

Contributions limited to 30 percent of federal AGI are generally those made to all qualified organizations other than 50 percent limit organizations, including veterans' organizations, fraternal societies, nonprofit cemeteries, and certain private nonoperating foundations. The 30

percent limit also applies to a donation of appreciated property that if sold would result in a capital gain, and that property is given to a *50 percent limit organization (discussed above)*. *However, the donation* of appreciated property is not limited to 30 percent of federal AGI if the taxpayer elects to limit the deduction to their adjusted basis in the donated property rather than fair market value. If this election is made, the 50 percent limit applies.

Contributions limited to 20 percent of federal AGI are those gifts of capital gain property to or for the use of qualified organizations other than 50 percent limit organizations, e.g., the donation of appreciated property which if sold would result in a capital gain, to a veteran's organization.

When contributions are greater than the applicable 50 percent, 30 percent, or 20 percent of federal AGI limitations for a given year, the excess contributions are carried over and may be deducted for five years. The ordering rule is to first deduct current year's contributions, and then look to prior years' contributions carried forward, by each separate limitation amount. It is always important to know the correct limitation category (50 percent, 30 percent, or 20 percent of federal AGI) for contributions; both for the current year's contributions return and for prior years' carryovers. This is especially true if you are preparing a new client's return for the first time and they have contributions carried over from prior years.

Federal Regulations under Internal Revenue Code Section 170, to which California conforms, require that when excess carryover contributions from a prior year are deducted, a statement must be included with the current (deduction year) return showing the year(s) in which the contributions were originally made, the amount taken in the intervening years, and the appropriate AGI limitations for each category.

We have new chiefs

We are pleased to announce that FTB appointed two new division chiefs effective January 1, 2016.



Jennifer Fowler, Chief, Accounts Receivable Management Division

Jennifer is responsible for collection program policy and operations which includes all aspects of individual, business, and nontax Court-Ordered Debt, Interagency Intercept, and Vehicle Registration collection programs.

Jennifer has worked for FTB since 1988. She began her career in the Filing program. Since that time she has held a variety of positions in the Filing and Accounts Receivable Management Divisions. Jennifer has led and managed large collection programs directing the recovery of delinquent business entity taxes, personal income taxes, and all nontax debts (referred from 400 state and local agencies) recovering over \$800 million annually to support needed services provided from the California General and Special Fund.

As the Chief of the Accounts Receivable Management Division, Jennifer supports innovative technology that makes doing business with the State of California easier and will maintain a customer centric focus by addressing issues from the practitioner and taxpayer community. Jennifer graduated from both the California State University Sacramento (CSUS) Leadership for Government Executives and Management Development Program (MDP). She continues to pursue her Organizational Communication Bachelor of Arts degree from CSUS.



Denise Mellor, Chief, Administrative Services Division

As chief of FTB's Administrative Services Division, Denise is responsible for overseeing all aspects of the human resource, internal audit, communications, executive and advocate services, and privacy and security bureaus.

Denise has worked at FTB for over 26 years. She started her career with FTB as a student assistant while attending California State University, Sacramento. After earning a Bachelor of Science Degree in Accounting, she worked for KPMG (Peat Marwick at the time) for three years prior to returning to FTB. For the past 12 years, she has served as the Chief Security Officer as well as the Director for the Privacy, Security, and Disclosure Bureau. She was responsible for FTB's privacy program, both information and physical security as well as

ensuring FTB is in compliance with the Information Practices Act (IPA), the Public Records Act (PRA), and the disclosure provisions in the Revenue and Taxation Code. Denise was also the Information Security Officer for the Government Operations Agency and the Business, Consumer Services and Housing Agency.

Prior to her most recent assignments, Denise established and served as Director of the FTB's Office of Resolution Management. In addition to working in the Administrative Services Division, she has held positions in the Audit Division, the Filing Division, and what used to be known as the Operations Division (a combination of Filing and Technology Divisions). Denise is also a Certified Information Privacy Technologist (CIPT).

Denise has an extensive background in FTB operations and tax and is excited to be more involved in those arenas. In addition, she plans to focus on FTB's goal to build a strong organization as she believes that is imperative in order to serve our customers.

Adjusted interest rate

The new adjusted interest rate for the period July 1, 2016, through December 31, 2016, remains the same at three percent.

This is the rate compounded daily that accrues with respect to various state taxes including: personal income, corporate income, and franchise. The rate for corporation tax overpayments for the period is zero percent. For previous interest and estimate penalty rates, go to ftb.ca.gov and search adjusted interest rate.

Ask the Advocate



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

Our new technical assistant to the advocate

I am pleased to announce Marc Narlesky as one of my new Technical Assistants to the Taxpayers' Rights Advocate's Office.

Marc will take charge of various tasks to include advocate equity relief, publication review, and legislative liaison. He will also contribute through public speaking engagements and Tax News.

Marc started with the FTB in 1989, working as an Auditor and Lead Auditor/Reviewer. He has held staff positions for divisional budgeting as well as Business Lead for our Activity Based Costing project where he learned the operations of the department.

Marc's professional experience began in small CPA firms. He has worked in general practice with a multi-service firm and as a financial auditor for nonprofit organizations. Marc is reactivating his CPA license since he now will work with tax professionals. He graduated from San Jose State University with a Bachelor of Science Degree in Business Administration with an emphasis in Accounting and a minor in Industrial Technology.

Inside FTB

FTB assists taxpayers at Butte and Valley Fire Disaster Recovery Centers

In September, Governor Edmund G. Brown Jr., declared a State of Emergency in Calaveras and Amador counties for the Butte Wildfire and in Lake and Napa counties for the Valley Wildfire. Together both fires burned over 145,000 acres of land which included 2,821 structures.

Beginning on September 18, the Governor's Office of Emergency Services (Cal OES) opened Local Assistance Centers (LACs) in San Andreas and Middletown to assist residents affected by the Butte and Valley fires.

By September 22, President Barack Obama declared both the fire zones in Calaveras and Lake counties major disaster areas. Each center had various city, county, state, federal and nonprofit

agencies which provided aid and information to the survivors. We were one of several state agencies offering assistance. More than 30 of our representatives assisted at the LAC locations from September to November.

Our representatives assisted the residents. They:

- Provided copies of lost returns.
- Answered questions regarding their account.
- Provided information and handouts about how to claim a qualified disaster loss on their tax return.
- Listened and showed compassion.

Taxpayers affected by the fire that have questions, can contact us at 800.852.5711.

All About Business

Reminder: Sales-only apportionment formula and assignment of sales (sales factor) for years 2013 and after

For most apportioning business entities getting ready to file their original tax returns due in 2016, California tax law requires them to use the sales-only apportionment formula to apportion their business income to California.

Over the years, California laws have changed how apportioning trades or businesses are taxed in California. Starting in 1993, the mandatory apportionment formulas for apportioning trades or businesses are:

- **1993 through 2010:** Double-weighted sales, four-factor apportionment formula contained in California Revenue and Taxation Code (R&TC) Section 25128(a).
- **2011 through 2012:** For years 2011 and 2012, most apportioning taxpayers could elect to use a sales-only apportionment formula on a timely filed original return instead of the four-factor formula as explained in CCR Section 25128.5.
- **2013 and after:** Sales-only apportionment formula contained in R&TC Section 25128.7.

There are certain exceptions to the above methods under R&TC Sections 25128 and 25128.7. Each section provides that if an apportioning trade or business derives more than 50 percent of its gross business receipts from any of the qualified business activities listed below, it must

apportion its business income to California using the three-factor formula of property, payroll, and sales, with each factor equally weighted (one-third):

- Agricultural
- Extractive
- Savings and loan
- Bank or financial

Market-based sourcing

In addition, all apportioning trades or businesses using sales-only apportionment (for years 2013 and after) and those that elected to use a sales-only apportionment formula (for years 2011 and 2012) must use market-based rules for assignment of sales of other than tangible personal property (sales of services and intangibles) to the sales factor numerator. (R&TC Section 25136) For additional information on market-based sourcing, refer to Single Sales Factor Assignment.

We remind apportioning trades or that they must use the appropriate apportionment formulas when filing their California returns. Taxpayers who do not use an appropriate method may be subject to additional tax, penalties, and interest.

For additional information, refer to Corporation Tax Law Changes.

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.