



# Tax News

November 2016

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## Tax preparer verification process

We continuously look for ways to increase protection of taxpayers' confidential information.

With the latest enhancement to MyFTB, tax professionals can register for a MyFTB account as a tax preparer and access their clients' accounts online. Our goal is to balance the need to protect taxpayers' information while providing easy to use services for tax professionals. As such, we implemented a new process to verify individuals that register to use the MyFTB service as a tax preparer have the need and right to access taxpayer information.

We will use a variety of resources to verify the tax professional's credentials or confirm the individual is working for a tax professional office before allowing access to MyFTB. If we are unable to verify the individual through these channels, we will reach out to the individual that registered either by phone or e-mail to get additional information for help in the verification process. In the event we cannot verify the credentials or the need for the MyFTB tax professional account, we will send a letter to let the individual know of the deactivation of the MyFTB account and the steps they will need to take in order to use the service.

If we can verify the tax professional's credentials and the need for the MyFTB professional account, we will send a personal identification number (PIN) to the tax professional to complete the registration process for their MyFTB account. Once the individual registers they can begin adding clients to their account. To prevent unauthorized relationships, we will monitor the relationships created to determine if they are valid. If we cannot confirm the relationship, a letter will be sent to the taxpayer to confirm or deny the relationship. The letter instructs the taxpayer to contact us to activate the relationship if it is valid. The tax preparer's access to that taxpayer's account will be temporarily deactivated until confirmation is received. If the taxpayer denies the relationship, we will permanently revoke the tax preparer's MyFTB account and send a letter to the tax preparer about the revocation process.

This verification process is that added layer of security that provides additional protections for taxpayer's information to prevent any unauthorized access.

## Coming January 3, 2017 - Tax preparers can renew clients on MyFTB

Access to your client's MyFTB account expires 13 months from the date you added the client to your MyFTB Tax Preparer account.

Starting January, 3, 2017, with your client's permission you can **renew** access to your clients MyFTB account. This new feature will allow uninterrupted access to your client's account.

To renew, you will need your client's permission. Use FTB 743, Online Account View Access Authorization, or comparable form.

Keep this form for your records, do not mail it to FTB.

More details will be coming in next month's December Tax News.

Sample image of the **renew** link that will be available in January.

## Client List ?

By default, up to 200 individual clients display. If you have more than 200 individual clients, none display. Use search or advanced search to find your clients. If you cannot find a client, see [missing clients help](#).

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

Search for Client ✖

\* Client Type:

Individual    Business    Estate/Trust

[Search](#)   [Advanced Search](#)

### Search Results - Individual Clients

[Show Filter](#)

Last Name	First Name	SSN/TIN	Expiration Date	Access Type	Status	Actions
<a href="#">Doe</a>	Cortezz	XXX-XX-0000	04/01/2017	Tax Preparer	Active	<a href="#">Renew</a>   <a href="#">Remove</a>
<a href="#">Doe</a>	Sally	XXX-XX-0000	05/31/2020	POA	Active	<a href="#">View POA</a>



## FTB works to improve tax return amendment process

We are studying ways to make it easier to amend state tax returns, speed processing of refunds, save paper, and reduce processing costs.

One idea under consideration is to eliminate the separate form for amending personal income tax returns (Form 540X) beginning with the 2017 tax year and replacing it with 540 series forms (540, 540NR Long, 540NR Short, and 540 2EZ) each adapted to allow for amended return filing. Any changes would take effect on tax returns processed after January 1, 2018.

The modified 540 series forms would be designed with the goal of using the same fields, edits and math as those in the current 540 series personal income tax forms.

No decisions have been made, but we are beginning an outreach effort to discuss these concepts with the tax preparation community.

We will be soliciting feedback in early 2017.

## Featured publication: California Taxpayer Advocates

All our Advocates under one publication.

[California Taxpayer Advocates](#) from Board of Equalization, Employment Development Department, Franchise Tax Board, and the Internal Revenue Service just updated their brochure to include a fresh new look, additional resources, and most importantly information on how to contact each department's Advocate's office. Also, the brochure now includes contact information for the California Small Business Advocate from the Governor's Office of Business and Economic Development (GO-Biz).

California Taxpayer Advocates are here to help you resolve problems when normal channels don't work. This brochure includes each department's contact information in one location and is in an easy-to-read format. Bookmark or download a copy to keep it handy should you need an Advocate's help.

## Tax professionals report ID theft

More contact information for you and your clients.

If your business falls victim to theft of client files or other confidential information that can be used to steal someone's identity, report it to us. Our specialists will gather necessary information to thwart criminals from using stolen information for their personal benefit and protect your clients from tax related identity theft. To report identity theft, call our ID Theft Specialists at 916.845.7088. Remember, we value your cooperation and we value all taxpayers' privacy. Consequently, we cannot provide you the outcome of the reporting of an incident.

Other resources for ID theft include the Internal Revenue Service (IRS) and credit reporting agencies. For the IRS, go to [irs.gov](http://irs.gov) and search **id theft**. Credit reporting agencies can be reached at:

[www.Equifax.com](http://www.Equifax.com) 888.766.0008

[www.Experian.com](http://www.Experian.com) 888.397.3742

[www.TransUnion.com](http://www.TransUnion.com) 800.680.7289

For more information about tax fraud, id theft, and scams, see our website at [ftb.ca.gov](http://ftb.ca.gov) and search **id theft** or **tax fraud**.

## New head of household requirements

For tax year 2016, taxpayers claiming the head of household filing status are now required to attach form FTB 3532, Head of Household Filing Status Schedule to their tax return. In late October, we began mailing the following letters:

- HOH demand letters
- HOH education letters
- HOH information document request (IDR) letters

Taxpayers who did not attach the schedule to their return may receive either an HOH education letter or HOH audit demand letter. The HOH education letter reminds taxpayers to attach form

FTB 3532 to their 2016 tax return if they claim the head of household filing status, while the demand letter requests they submit the missing schedule.

If your clients receive an HOH audit demand letter, advise them to respond by the letter's due date to avoid the Failure to Furnish Information penalty.

If taxpayers determine they do not qualify for the HOH filing status, they should mark the "I do not qualify for head of household" box on the top of the HOH information request letter.

Our HOH audit staff will review the form FTB 3532 and related documentation to determine if taxpayers qualify for the HOH filing status. If the questionnaire is incomplete or provides conflicting information, we may contact the taxpayer to resolve the issue. Once we confirm the HOH filing status, we mail an acceptance letter to the taxpayer. Our tax-year specific acceptance letters only apply to the specific tax year examined and do not qualify the taxpayer for other tax years.

Taxpayers who fail to respond to our letters or whose responses indicate they do not qualify for HOH can expect a Notice of Proposed Assessment disallowing their HOH filing status.

Taxpayers may choose one of the following methods to return the HOH information request and/or requested substantiation:

- Go to [ftb.ca.gov](http://ftb.ca.gov) and log into MyFTB to upload the HOH Information Request and/or substantiation. They will need their account number (FTB ID) from the top of their HOH information request letter or their social security number (SSN).
- Mail the HOH information request and substantiation to:

Franchise Tax Board  
PO Box 942840  
Sacramento CA 94240-5340

For more information about the HOH filing status, go to [ftb.ca.gov](http://ftb.ca.gov) and search **HOH 2016**.

## Does your client need to skip a payment?

In September 2016, we implemented two new self-service options that are available 24/7.

### Installment agreements

Taxpayers who pay their personal income tax obligation through an installment agreement (IA) are able to request skipping a payment for their current IA from our website or now through our interactive voice response (IVR) system.

Taxpayers may be eligible to skip their next IA payment if:

- They are in an existing active IA.
- Have less than 2 previous skipped payments.
- Submit their request more than 5 days but less than 30 days from the next payment due date.

For additional information about skipping an IA payment request, taxpayers can go to [ftb.ca.gov](http://ftb.ca.gov) and search for **skip payment** or call us at 800.689.4776 on weekdays 8 a.m. to 5 p.m. (except state holidays).

### Bill

Taxpayers who receive a bill can request a one-time 30-day delay to pay their balance in full.

Taxpayers may be eligible to delay their bill payment for 30 days if:

- They recently received an Income Tax Due Notice or Final Notice Before Levy and Lien.
- Have not received a delay in the last 90 days.
- Do not have an Earnings Withholding Order, Continuous Order to Withhold, or Order to Withhold.
- Do not have an existing installment agreement.

For additional information about delaying a bill payment request, taxpayers can go to [ftb.ca.gov](http://ftb.ca.gov) to log in to their My FTB account or call us at 800.689.4776 on weekdays 8 a.m. to 5 p.m. (except state holidays).

## Renew your PTINs with California Tax Education Council

Renewal registrations for the California Tax Education Council (CTEC) must be completed online by midnight on October 31, 2016.

To renew, CTEC-registered tax preparers (CRTPs) will need:

- 20 hours of completed continuing education (10 hours of federal tax law, 3 hours of federal tax law updates, 2 hours of ethics and 5 hours of state tax law).
- A valid Preparer Tax Identification Number (PTIN) from the IRS.
- Current \$5,000 surety bond.
- Visa or MasterCard to pay the **\$33 registration fee**.

[Find an approved education provider](#) or [Renew your PTIN](#).

CTEC-approved education providers have *ten business days* from the date the course was completed to report hours earned.

CRTPs who do not renew by the October 31 deadline have until January 15, 2017 to renew late. CRTPs who do not renew by January 15, will be required to start over, re-take the 60 hours of continuing education, pass a final exam from a CTEC-approved education provider, and re-register as a new CRTP.

According to California law, CRTPs cannot prepare any tax returns for a fee until their registration is current with CTEC. In some cases, certain employees who assist CRTPs with tax returns must also register with CTEC. Only attorneys, certified public accountants and enrolled agents are exempt from CTEC registration.

or more information regarding who is required to register, search **CTEC** on our website.

## Free live webinar on withholding when a trust is on title

During this **30-minute** webinar designed for real estate agents, real estate escrow persons, real estate buyers and sellers, and tax professionals, we cover the following key topics for Withholding When a Trust is on Title:

- Types of Trusts
- Withholding Requirements
- Withholding Exemptions
- How to Complete FTB Form 593 and Form 593-C
- Resources and Contact Information
- Register now to join our live broadcast on November 8, 2016 at 10 a.m. Pacific Time.

Go to our California Source Income Withholding Webinars webpage to view other webinars.

For online information about California's nonwage withholding program, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **nonwage**.

## Ask the Advocate



**Susan Maples, CPA**  
Taxpayers' Rights Advocate  
Follow me on Twitter at  
[twitter.com/FTBAdvocate](https://twitter.com/FTBAdvocate)

### Taxpayers' Bill of Rights Hearings in December

As your Taxpayer Advocate, I participate in many meetings throughout the year.

One of the more important meetings for me is the **Taxpayers' Bill of Rights Hearing** because it provides industry representatives, tax professionals, and individual taxpayers the opportunity to present to the three-member Franchise Tax Board proposals for changes to California's tax laws and how FTB can improve its publications and the services we provide to you. This is an annual hearing which takes place during a meeting of the three-member Franchise Tax Board, usually at the end of the year. This year's meeting will be held on Thursday, December 8th, from 1 p.m. to 4 p.m. in the Town Center, Goldberg Auditorium, at our Central Office campus located at 9646 Butterfield Way in Sacramento.

Our website provides comprehensive information from earlier years' hearings, including the issues raised at the hearings and FTB's written responses from 2015 and prior years (2006 to 2014). This information is located on the Taxpayers' Rights Advocate page: Taxpayers' Bill of Rights Hearing Responses.

When considering issues or suggestions you may want to submit, it's important to note that these should be those that impact many taxpayers and are not specific to yourself or one of your clients; those issues are better handled through our normal channels.

To give you an idea of the types of issues that are raised at the annual hearing, here are a few raised at last year's hearing included:

- The timeliness of FTB's resolution of audits and claims for refund.
- The inability of business entities to dissolve or cancel when formed but never "launched."
- The inadvertent failure to file CA Form 568 by single member LLC's.

When an issue is submitted timely prior to the hearing, you will have the opportunity to publically speak to the issue and address the three-member Franchise Tax Board for three minutes. However, it is not required that you address the Board to have a response provided to you. The deadline for submitting issues for this year's hearing is November 21, 2016.

Issues can be submitted by email to [Taxpayer\\_Advocate@ftb.ca.gov](mailto:Taxpayer_Advocate@ftb.ca.gov) or by mail to:

Susan Maples  
Taxpayers' Rights Advocate MS: F280  
PO Box 1468  
Sacramento, CA 95812-1468

Another avenue for letting us know at any time about issues that affect multiple taxpayers and relate to FTB's systems, policies, or procedures is through our online portal for reporting Systemic Issues. This is a valuable tool that you can use to alert me and my staff about an issue we may not be aware. We review your submissions directly and my staff or another business unit at FTB will respond to you.

Learning about the issues you are facing, especially when FTB is creating an unreasonable burden for you, is an important part of my job and helps me to better advocate for you and all of California's taxpayers.

## MyFTB Corner

Let's Chat! – MyFTB Secure Chat

### What is Secure Chat?

Accessed from MyFTB, Secure Chat is another tool to communicate with us on behalf of your client. You can have a live, real-time conversation with one of our representatives to discuss your client's confidential tax matters. Chat representatives can help you with the same questions our phone representatives can. Our representatives can help with matters, such as requests to make a tax return viewable on MyFTB or questions about a notice your client received.

### When is Secure Chat available?

Secure Chat is available during regular business hours, 7 a.m. to 5.p.m. for Filing Services and 8 a.m. to 5 p.m. for Collections.

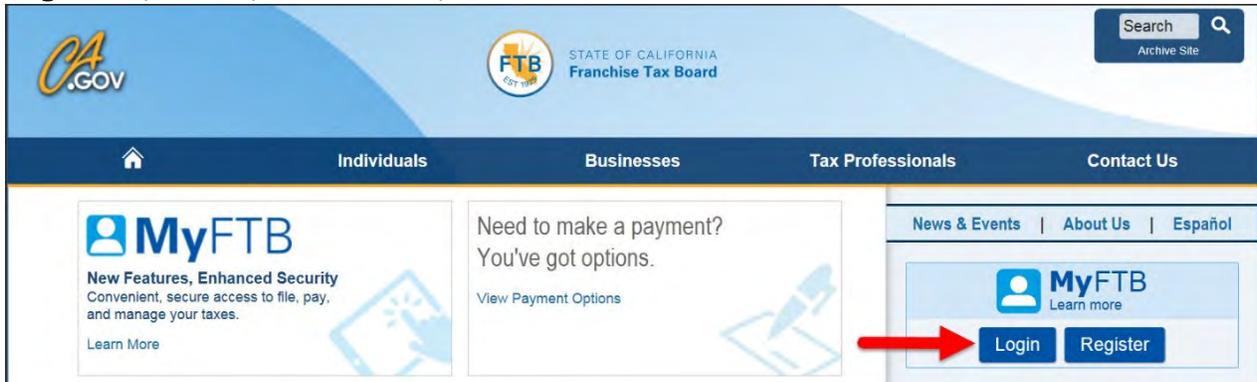
## How can I initiate a Secure Chat?

Starting a Secure Chat is as easy as 1, 2, 3:

- Log in to MyFTB.
- Select your client's MyFTB account.
- Select the Secure Chat button from the left of your screen.

Here's more information on how to start a Secure Chat.

1. **Log in** to your MyFTB Tax Preparer account.



2. From your **Client List** select the client's account you want to discuss.

State of California Franchise Tax Board

Contact Us | FTB Home | Log Out

Welcome Jack Frost, Tax Preparer

Home Client Notices Services Profile

MyFTB | ACCOUNT Client List

By default, up to 200 individual clients display. If you have more than 200 individual clients, none display. Use search or advanced search to find your clients. If you cannot find a client, see [missing clients help](#).

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

Search for Client

\* Client Type:

Individual
  Business
  Estate/Trust

[Search](#)
[Advanced Search](#)

Search Results - Individual Clients

[Show Filter](#)

Last Name	First Name	SSN/ITIN	Expiration Date	Access Type	Status	Actions
<a href="#">Doe</a>	Bernard	XXX-XX-0000	07/13/2019	Power of Attorney	Active	<a href="#">View POA</a>
<a href="#">Doe</a>	Jeannie	XXX-XX-0000	07/21/2019	Power of Attorney	Active	<a href="#">View POA</a>
<a href="#">Doe</a>	Cristina	XXX-XX-0000	07/06/2019	Power of Attorney	Active	<a href="#">View POA</a>
<a href="#">Doe</a>	Jeffrey	XXX-XX-0000	07/10/2016	Tax Preparer	Active	<a href="#">Remove</a>

3. Select the Secure Chat button.

Home Account Communication Services Profile

MyFTB | ACCOUNT Taxpayer Overview

Jeannie Doe  
XXX-XX-0000  
[Change Client](#)

CalFile  
File your state tax return  
[Start My Return](#)

Contact Us

[CHAT NOW](#)  
 Secure Chat

[Send Secure Message](#)

**Contact Information**  
 FTB ID: 0000000000  
 9646 Butterfield Way  
 Sacramento, CA 95827-1500  
 916.222.2222 (Cell)  
 Filemypoa@ftb.com

**Account Status**  
 Current Balance: [\\$1,899.31](#)  
 2014 Return Status: Not Received  
[View Account Summary](#)

**Account Access**  
 Last Accessed: 03/03/2016 08:46 AM  
 Last Accessed By Another User: 02/29/2016 12:09 PM Taxpayer - Jack Frost  
[View More Account Activity](#)

4. After Secure Chat is selected, a **MyFTB Chat** window displays to enter the information necessary to start your chat.

MyFTB Chat - Internet Explorer

https://websec.ftb.ca.gov/etfuat1/shared/launch\_chat.xhtml?faces-redirect=true

CA.GOV FTB STATE OF CALIFORNIA Franchise Tax Board

## MyFTB Chat

Ask an FTB representative questions about your client's account or get help using MyFTB.

Representatives are available from 7 a.m. to 5 p.m. weekdays, except [state holidays](#). Hours are subject to change.

Select the reason for contacting us so we can connect you with the correct area:

\* Reason:

\* Your Question:

500 characters remaining

Start Chat Cancel

Copyright © 2015 State of California

What else should I know before I start a Secure Chat?

- Your MyFTB session must remain active for your Secure Chat session to remain active.

- MyFTB sessions remain active for 20 minutes without any activity.
  - To ensure your Secure Chat session does not time out, periodically move your mouse cursor in MyFTB to remain active.
  - If your MyFTB session becomes inactive, your Secure Chat session will become inactive, and you will have to initiate a new chat.
- To discuss a specific client in chat, *always access* Secure Chat from your client's MyFTB account and not your Client List home page. If you use Secure Chat from your Client List page, the FTB agent can only assist you with general, non-account specific questions.
  - Do *not* chat about multiple clients' accounts in one chat session. To discuss another client, initiate a new chat from the next client's MyFTB account (start again at step 2 above).

## Inside FTB

### FTB assists taxpayers at Sand, Soberanes, Blue Cut, and Clayton fire local assistance centers

In July, acting Governor Tom Torlakson declared a State of Emergency in Los Angeles and Monterey Counties for the Sand and Soberanes Fires. The Governor's Office of Emergency Services (Cal OES) opened Local Assistance Centers (LACs) in Los Angeles County on August 5 and in Monterey County on August 6.

On August 15, Governor Jerry Brown declared a State of Emergency in San Luis Obispo County for the Chimney Fire.

By August 16, Governor Jerry Brown declared a State of Emergency in San Bernardino and Lake County for the Blue Cut and Clayton Fires. On August 22, Cal OES opened LACs in San Bernardino County and Lake County to assist the residents affected by the Blue Cut and Clayton Fires.

Together the four fires burned over 149,000 acres of land and 409 structures. Various city, county, state, federal and non-profit agencies provided aid and information to the survivors who visited the LACs. In September, five FTB representatives assisted at the four LAC locations.

Our representatives assisted the survivors by:

- Providing copies of lost returns.
- Answering questions regarding their accounts.

- Providing information and handouts regarding how to claim a qualified disaster loss on a tax return.

If taxpayers affected by the fires have questions, they can contact us at 800.852.5711.

## Doing Business in California

Second round of proposed amendments to Regulation Section 25136-2 (Market-based sourcing rules) to be considered in 2017

In early 2017, we will conduct an interested parties meeting to discuss a second round of proposed amendments to Regulation Section 25136-2.

This second round of proposed amendments will include discussion of the asset management fee examples previously deleted in the first round of amendments, as well as possible modification of existing terms, additional definitions, additional examples for specific industries, and other items of interest or concern to the public.

## All About Business

### Suspended or forfeited business entity – Claims

Can a suspended or forfeited corporation or limited liability company (LLC) (business entity) file an amended return and claim a refund?

Suspended or forfeited business entities cannot file a claim for refund while their status is suspended or forfeited by either us or Secretary of State (SOS). But, let's clear up some confusion that has caused this question to be asked.

Recently, at the request of the tax practitioner community, we implemented a process to provide additional visibility and transparency into our processing of corporate claims for refund. Upon receipt of the amended return, we now send the taxpayer a **Business Entity Claim for Refund Acknowledgement** letter to inform them of the anticipated timeframe to receive their refund, if applicable.

Under California law,<sup>1</sup> when a business entity has their rights, powers, and privileges suspended, or forfeited, we are unable to allow a claim for refund until the corporation is back in good standing.

The letter will generally not be sent to a taxpayer that is suspended. We are aware of situations where a suspended business entity incorrectly received our letter. We have taken steps to prevent this error from reoccurring and apologize for any confusion. In other cases the letter was properly sent to the business entity, but the business entity was suspended or forfeited before we acted on the claim. In either case, we cannot allow the claim for refund until the business entity is back in good standing.

### **Suspended/Forfeited business entities cannot file a claim for refund**

A business must be in good standing to file a claim for refund. A suspended or forfeited business entity can begin by reviving, and then file a claim as long as the statute of limitation is still open. In an effort to ease the revivor process, we recently offered the ability for business entities to submit an online request for revivor assistance on our website, see our June 2016 Tax News article. For more information on how to revive a business entity, visit our “How Can I Revive My Business Entity” webpage.

### **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.

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<sup>1</sup> See R&TC Sections 23301, 23301.5, and 23775, and Corporations Code Sections 2205, 2206 and 12214.6.