



Tax News

September 2021

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FTB Tax Auditor Recruitment

The State of California, Franchise Tax Board (FTB) is hiring at the Tax Auditor level. The Audit Division administers and supports California's income tax laws by developing knowledgeable and engaged employees, and responsibly conducts business with fairness, integrity, and in a timely manner. FTB's next hiring effort will begin in September 2021 and last through the month to meet its long-term workforce planning objectives. Hiring opportunities exist in our Sacramento headquarters, Northern and Southern California regional offices, and our out of state field offices located in Houston (TX), Chicago (IL), and Manhattan (NY).

FTB recently welcomed a new group of tax auditors to various FTB regional offices of the Audit Division as well as FTB's headquarters. The twenty new staff have varying backgrounds in tax preparation, public accounting, private industry, and recent graduation from college. The Audit Division new auditor training program combines virtual instructor led classrooms, computer based training, and on-the-job learning. The Division's new Pathways to Excellence training portal will also support their continuing knowledge and professional development.

State of California employment can include benefits such as competitive pay, health, dental, retirement, and job security. The Audit Division further invests in their employees' well-being by offering amenities such as flexible work schedules, combined with in-office and at-home work environments. FTB encourages development through work experiences and various growth-related programs available to employees.

For more information on this hiring effort, or future hiring efforts, please visit us at ftb.ca.gov/careers or contact a recruiter at auditrecruiter@ftb.ca.gov.

Golden State Stimulus II Payments

Payments will begin soon. The State of California is preparing to send the Golden State Stimulus II (GSS II) payment to those who qualify starting late August. More individuals will qualify for this program than the previous Golden State Stimulus I, including individuals with adjusted gross income of at least \$1 and up to \$75,000 per year. Taxpayers can visit our website to use the [Golden State Stimulus II Estimator](#) tool to estimate the amount of their stimulus payment.

To be eligible for the stimulus, individuals must:

- File their 2020 tax return by October 15, 2021.
- Be a California resident for more than half of the 2020 tax year.
- Be a California resident on the date payment is issued.
- Cannot be claimed as a dependent by another taxpayer.

For more information, visit our website and review [Golden State Stimulus II](#).

FTB 3912 - Power of Attorney – Active Representatives on File letter

FTB is launching the new *FTB 3912 Power of Attorney – Active Representatives on File* letter. This letter provides a list of all active POA representative relationships on the taxpayer's account. This letter will be sent to all taxpayers that have an active Power of Attorney (POA) declaration with FTB, beginning in September 2021.

The new FTB 3912 is intended to keep taxpayers informed of their POA relationships, the level of online access (limited or full) each representative has in MyFTB, and the expiration date of the declaration.

Note: The FTB 3912 should not be returned to us for the purpose of revoking a POA. If a revocation is necessary, either the taxpayer or representative must take one of the following actions:

- Log in to your online MyFTB account to view, edit, or revoke your POA Declaration(s).
- Call us at 1-800-852-5711 and reference the associated Declaration ID number.
- Send us a completed FTB 3520 RVK, Power of Attorney Declaration Revocation.

You can learn more about MyFTB [here](#), including the features available in MyFTB and how to create your own account.

Pass-Through Entity Elective Tax

Governor Newsom signed [California Assembly Bill 150](#) into law on July 16, 2021. This new law allows certain pass-through entities to annually elect to pay an elective tax in the amount of 9.3% of the pro rata share or distributive share of the entity's partners, shareholders, or members. The partners, shareholders and members then receive a tax credit equal to that amount. The law is effective for taxable years beginning on or after January 1, 2021, and before January 1, 2026.

The pass-through entities that can elect to pay this tax are S corporations, general partnerships, limited liability companies taxed as partnerships, limited liability partnerships or limited partnerships. To qualify to make this election, the pass-through entity's owners must consist solely of individuals, fiduciaries, trusts, estates or entities taxable as corporations. The pass-through entity cannot have a partnership as an owner, cannot be a publicly traded partnership, and the pass-through entity cannot be permitted or required to be in a combined reporting group.

The pass-through entity will pay tax at a rate of 9.3% on the total of each consenting owner's pro-rata or distributive share of income subject to California personal income tax (beginning at

RTC section 17001). The election to pay the tax must be made on the entity's original, timely-filed return and is irrevocable for the taxable year.

Partners, members and shareholders who consented to the pass-through entity making the election are allowed a credit equal to 9.3% of tax paid on their pro-rata or distributive share of the entity's income. If the credit exceeds the tax due, any unused credit may be carried forward for 5 years or until exhausted. A partner, shareholder or member that does not consent does not disqualify the entity from making the election to pay the tax, however all partners, shareholders, and members of the entity are bound by the entity's election.

For taxable years beginning on or after January 1, 2021, and before January 1, 2022, the tax must be paid on or before the due date of the original return of the electing pass-through entity, without regard to any extension of time for filing a return for the taxable year of election.

For each taxable year beginning on or after January 1, 2022, and before January 1, 2026 the pass-through entity must pay on or before June 15th of the taxable year of the election, the greater of:

- 50% of the elective tax paid the previous year or
- \$1,000.

On or before the original due date of the tax return, the pass-through entity is required to pay the elective tax due less the amount paid on or before June 15th of the taxable year of the election. For the election to be valid, the pass-through entity must make timely payment.

The Franchise Tax Board is developing forms for entities to elect and pay the tax, and for partners, shareholders, and members to claim the tax credit.

AB 2503 Administrative Dissolution Program

With the passage of legislation under AB 2503, beginning January 1, 2019, FTB established the Voluntary Administrative Dissolution Program, allowing a qualified domestic Corporation or qualified domestic Limited Liability Company (LLC) the ability to request a Voluntary Administrative Dissolution/Cancellation of their business entity. Since implementation, the Program has successfully dissolved and/or cancelled over 1500 Corporations and LLCs; educated and assisted business entities in properly dissolving/cancelling their business, and prevented further undue hardship.

As part of a planned phased approach, the Program implemented the Administrative Dissolution portion of the Program in early 2020 which authorizes FTB to initiate the Administrative Dissolution process for those business entities that have been suspended for 60 consecutive months, are no longer conducting business, and have no assets in the business. This has resulted in FTB and Secretary of State (SOS) to work collaboratively to successfully

dissolve over 500 Corporations. FTB will continue to work with SOS to Administratively Cancel domestic LLCs in the near future; anticipated to begin in early 2022.

Below are current steps FTB take prior to Administratively Dissolving a qualified business entity (Corporation):

- FTB will mail the Administrative Dissolution – Intent Notice (Form 5125C) to the entities last known address. The form provides instruction for submitting a written objection of the pending Administrative Dissolution to FTB.
- FTB will then send notification to SOS that includes the entity name and SOS number.
- SOS will post a notice of pending dissolution on its website, listing the name and SOS file number for 60 days.

A qualified business entity may provide us with a written objection to the Administrative Dissolution of a domestic corporation. FTB must notify the SOS if a written objection has been received. If the written objection is not received within the 60 days of SOS posting and the date of notification, the domestic corporation may be Administratively Dissolved.

If timely written objection is received, the entity has 90 days from receipt of the objection to:

- File all returns
- Pay all taxes, fee, penalties, and interest
- File a current Statement of Information with the SOS
- Fulfill any other requirement
- Apply for a revivor

If the entity is reinstated by FTB, the Administrative Dissolution will be canceled.

FTB may extend the 90-day period, but for no more than one period of 90 days, if requested by the taxpayer.

If the entity does not revive within the time frame, the entity will be Administratively Dissolved. The taxpayer does not have appeal rights after the Administrative Dissolution is final. The Administrative Dissolution will legally terminate the business.

FTB will continue to work collaboratively with SOS and refine the program to better assist businesses to save money, dissolve accordingly, and further educate business owners and their representatives.

Estimate Tax Payments

California Estimate Tax Payment Schedule Differs from Federal

For our new or returning tax professionals, please be aware that the California estimated tax schedule differs from federal.

California estimated tax payments are due as follows:

Payment	Amount	Due date
1	30%	April 15, 2021
2	40%	June 15, 2021
3	0%	September 15, 2021
4	30%	January 18, 2022

To avoid a penalty, your client must pay on, or before, the due dates. For information on how to compute California estimated tax payments,

Visit our website to review [Estimated Tax Payments](#).

S-Corporation Extended Due Date

Please remind your clients of the S Corporation extended due date.

This is a reminder that the extended due date to file Form 100S, California S Corporation Franchise or Income Tax Return, is September 15, 2021. The original due date for this return is the 15th day of the third month of the S corporation's taxable year, which is generally March 15 for calendar year taxpayers.

This six-month automatic extension to file does not apply to the payment of the S corporation's tax liability. The S corporation is required to pay its tax liability by the original due date of the 15th day of the third month of the S corporation's taxable year, whether or not it files its return later using the six-month extension.

If an S corporation does not file its return by the extended due date, then the extension does not apply and any applicable late filing penalties will be calculated from the original due date.

For more information about S Corporations and other business entity due dates, visit our [Business Due Dates](#) webpage.

Moving out of State?

Do you have clients moving or working remotely from a new location? Update their address to avoid future headaches.

With so many changes this past year in real property values and the increase in remote work you may find that more of your clients are moving than in the past and will need to update their mailing address.

Every year a significant amount of returns will have changes made to them during processing. It is not uncommon for taxpayers to change their address or move after filing a return. Without an updated address on file with us, taxpayers may not be made aware of any changes or additional information that the Franchise Tax Board (FTB) needs to resolve an issue with the return or a payment.

Keeping the FTB informed of a new address could help your clients avoid some common occurrences that can quickly turn into unresolved issues, such as:

- A requested direct deposit refund that due to a filing error must now be made by mail (paper check). Every year thousands of refunds are returned to the FTB due to a bad address
- An adjustment to a tax return during processing which results in a notice of tax return change. Without a current address your client may not be able to resolve the issue which may then result in a balance due.

More serious consequences can occur for taxpayers who move out of state and do not inform FTB of their new address. If they do not receive a notice that is time sensitive, the notice can eventually result in an assessment of tax, resulting from:

- An examination of a tax return that was filed before leaving the state (we have 4 years to audit a return)
- A notice requesting a tax return based on income reported to the FTB which may result in a California non-resident filing requirement (there is no statute of limitations on an unfiled return)

Failing to respond to a notice can result in:

- Additional penalties
- Fees
- Collection action

Addresses may be updated with the most recent return. Visit our [How do I change my address?](#) webpage for additional ways your client can update their address.

New Tax Credits for Employers – Coming Soon!

Two new tax credits will be available for taxpayers in the next few months.

Main Street Small Business Tax Credit II

The Main Street Small Business Tax Credit II will be available for taxpayers who were impacted by the economic disturbances in 2020 and 2021. This credit can be applied against sales and use taxes or income and franchise taxes. The credit requires taxpayers to get a tentative credit reservation from the California Department of Tax and Fee Administration (CDTFA), and to elect at that time whether to apply the credit to sales and use taxes, or to income and franchise taxes.

You must apply for the credit reservation from November 1 through 30, 2021 (or sooner, if the money available for the credit is fully allocated).

You can get more information on this credit at [CDTFA's webpage](#), or [our webpage](#).

Homeless Hiring Tax Credit

The Homeless Hiring Tax Credit is a newly enacted credit available to qualifying taxpayers who hire new employees deemed to be eligible homeless individuals (as defined by RTC 17053.80 and RTC 23629). The credit amount is based on the number of hours the eligible individual (employee) works during the taxable year, and will be available for the 2022 through 2026 taxable years.

To claim the credit, qualifying taxpayers must obtain an eligible individual certification, an eligible individual certification, and receive a tentative credit reservation for each eligible individual from the FTB.

Additional information on the Homeless Hiring Tax Credit, including how to obtain the required certification and tentative credit reservation will soon be available on FTB's webpage.



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Ask the Advocate - Advisory Board Meeting 2021, with Special Guest IRS Commissioner, Charles R. Rettig

Each year my team has the responsibility and honor of planning our Executive Officer's, Selvi Stanislaus, meeting with her Advisory Board. The Advisory Board is made up of 20 representatives from industry, state and federal government, who meet with FTB Leadership to help us gain insight into the issues, challenges and concerns faced by industry and our government partners.

This year, former long-time Advisory Board Member, and current IRS Commissioner, Charles R. Rettig, accepted Selvi's invitation to provide Opening Remarks for the meeting.

Highlights of Commissioner Rettig's remarks included:

- The story of how his life experiences shaped his leadership style
- How the IRS has the privilege of helping Americans by issuing economic impact payments
- Some of the challenges the IRS must overcome to reach our underserved communities
- Explaining to Capitol Hill the consequences of lack of funding for the IRS
- Congratulating FTB, private sector, and tax practitioners for the work they have done

Other agenda items included:

FTB program areas sharing:

- Legislative Updates
- Updates of our tax systems modernization efforts, internally referred to as EDR²

Two breakout-sessions for attendees to explore options to provide:

- Customer services in-person, virtually or a hybrid combination
- Online services through MyFTB for Trusts and Withholding Agents

We appreciate the valuable insights gained at this year's virtual meeting. It was agreed that meeting in person is preferable, which we hope to be able to accommodate next year.

We also extend a special thank you to Commissioner Rettig for his humorous, thought provoking, and heartfelt remarks. And, echo his congratulations on the work everyone has accomplished during this extraordinary time.

Event Calendar

As part of our education and outreach to the tax professional community, we participate in many different presentations and fairs. We provide a [calendar](#) that shows the events we attend, as well as other events happening with us, such as interested party and board meetings.