

10000 CLAIMS, REFUNDS & OVERASSESSMENTS

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NOTE: ((* * *)) = Indicates confidential and/or proprietary information that has been deleted.

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10010 CLAIMS

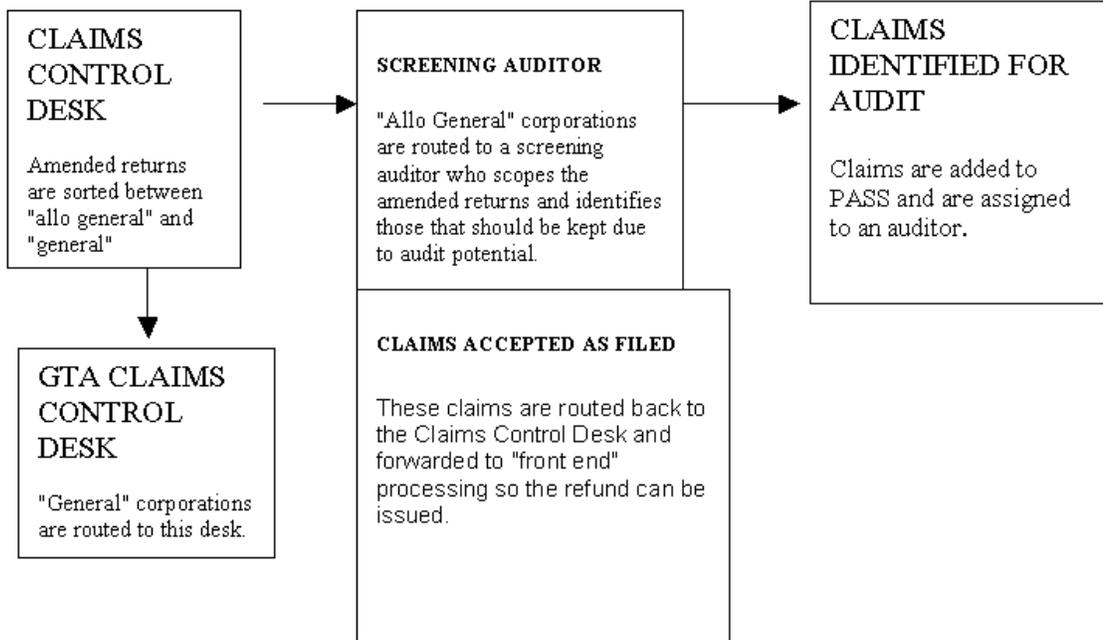
Corporation claims for refund (claims) are processed through Business Entities Audit Technical Support (BES) and Multistate Audit (MSA). These two sections work closely together in managing the corporate claims workload to ensure that claims are resolved according to the Taxpayer Bill of Rights (TBOR) legislation enacted in 1988. According to R&TC Section 21010, the FTB is required to develop a plan to reduce the time required to resolve amended return claims for refund. The departmental plan establishes the following goals for resolving claims for refund:

- Goal for Claims Requiring Desk Audit Involvement = 12 months
- Goal for Claims Requiring Field Audit Involvement = 27 months

Additionally, another consideration when processing this workload is that in accordance with R&TC Section 19331, a claim is “deemed denied” if the taxpayer is not mailed a notice of action on the claim within 6 months from the date the claim was filed. The following claims processing procedures are in place to assist the department in meeting the TBOR timeframes:

Claims for refund may be filed via an amended return or written correspondence (correspondence claim). Currently amended returns are forwarded to the Claims Control Desk. Please see the following flow chart for a description of the process for incoming claims.

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- 1) All claims (General Corporation, Apportioning Corporation and Apportioning RAR) are sent from BES to MSA's Claims Control Desk. The Claims Control Desk separates the claims into two categories: (1) General Tax Audit (GTA) and (2) Multistate Audit. GTA claims are forwarded to the GTA program for screening and processing within five days of receipt at the MSA Claims Control Desk.

- 2) The Claims Control Desk screens all MSA claims against BETS for items such as:
 - A. NPA issued (either pending or final) on the same account period covered by the claim.
 - B. Problems with the account balance.
 - C. Statute of limitations expires within one year.
 - D. FTB or California Secretary of State status is suspended, forfeited, closed, dissolved or in bankruptcy.
 - E. Protective claim (usually denoted by \$1 refund).

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- 3) After the claims are screened through BETS, they are forwarded to an auditor for scoping purposes. * * * * *
* * * * * The auditor determines which claims require audit and which claims can be accepted as filed. All are returned to the Claims Control Desk. The Claims Control Desk forwards claims that are being accepted as filed to BES for processing. Claims held for audit are entered onto PASS, notes are created on BETS * * * * * and the case is assigned to an auditor. Claims that require a field audit are forwarded to the appropriate field office.

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METHODS OF FILING A CLAIM FOR REFUND

California Revenue and Taxation Code (R&TC) section 19322 states, (Contents of refund claim): Every claim for refund shall be in writing, shall be signed by the taxpayer or the taxpayer's authorized representative, and shall state the specific grounds upon which it is founded. In addition, the amount being claimed must have been paid.

For claims for refund filed on or after January 1, 2002, R&TC section 19322.1 provides that a claim for refund of tax that is otherwise valid, but is made before full payment of the disputed tax has been made, shall be sufficient to toll (delay the expiration of) the statute of limitations. This "informal" claim for refund will be "perfected" and deemed filed on the date that full payment of tax is made. This perfection date will be the date that the informal claim becomes a formal refund claim for purposes of the administrative claims process. The six-month "deemed denial" period of R&TC sections 19324 and 19385 will also begin on the date the claim is perfected. However, no claim for refund may be made or allowed for any payment made more than seven years before the date of full payment of tax (including tax and penalties and interest). The amount of payment needed to perfect a claim will depend on whether any outstanding amounts are due and payable, or are deficiency amounts that have not yet become final at the time payment is made. (Refer to FTB Notice 2003-5 for a complete discussion.)

A claim filed for or on behalf of a class of taxpayers must do all of the following:

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- (a) Be accompanied by written authorization from each taxpayer sought to be included in the class.
- (b) Be signed by each taxpayer or taxpayer's authorized representative.
- (c) State the specific grounds on which the claim is founded.

A claim for refund generally consists of written notification received from a taxpayer indicating an overpayment of tax. Claims come in a variety of forms. The following are examples of the most common types received by the department:

- 1) The filing of a completed or original return disclosing less tax than what was paid upon the filing of a tentative return including estimate payments and payments made with an extension of time to file.
- 2) A letter received from the taxpayer or representative indicating less tax due than what was paid.
- 3) Payment of a proposed assessment with or after the filing of a protest or appeal.

All apportioning corporations, general corporations that file combined reports and all non-qualified corporation (NQFT and NQIT) claims are referred to MSA Central Office for screening. Those meeting either field office or Central office audit criteria are retained and entered on to PASS for assignment to staff. The claims that do not meet audit criteria are accepted as filed and referred to BES for processing.

At times a taxpayer may file a claim for refund requesting \$1 or more on a specific issue prior to the expiration of the statute of limitations and may write "Protective Claim" on the face of the claim for refund. The Revenue and Taxation Code does not expressly recognize a "protective claim for refund." However, the words "Protective Claim" are misleading since claims for refund requesting \$1 or more stating the specific grounds upon which it is founded are valid "informal" claims for refund not "protective" claims for refund. A valid claim for refund must be in writing, must be signed by the taxpayer or the taxpayer's authorized representative, and must state the specific grounds upon which it is founded (R&TC section 19322). A claim for refund filed within the appropriate time frame must be considered a valid claim for refund. Pursuant to FTB Legal Ruling 386, "informal claims" toll the statute of limitations until the claim can be perfected. As long as the FTB is apprised of the fact that the taxpayer is asserting a claim for refund, the actual dollar amount shown, whether it be \$1 or \$100,000 is irrelevant.

When an "informal" claim for refund is received, the auditor needs to write a letter to the taxpayer to request further written clarification to "perfect" the claim. Upon receipt of appropriate documentation the correct refund amount is allowed. If the taxpayer does not

provide adequate documentation to support the issue for which the refund is requested, the claim for refund is denied.

CLAIMS FOR REFUND WHEN CORPORATION STATUS IS "SUSPENDED" OR "FORFEITED"

Suspended or forfeited corporations cannot file protests, appeals, or claims for refund, nor are they entitled to receive refunds. (R&TC sections 23301,23301.5, and 23301.6). If the claim for refund was filed after the corporation was "suspended" or "forfeited", the claim is not valid. The Claims Control Desk will send a letter to the taxpayer with instructions as to what it needs to do to revive and file a valid claim. The amended return is treated as an information return and sent to files.

The Collection Program or Accounts Receivable Management Division may, on a case-by-case basis, refer invalid claims to the MSA Collection Liaison for an informal review of the claim issues. If the liaison can easily determine that an overpayment does exist, the collection representative will credit the overpayment against a balance due to facilitate the revive process in accordance with R&TC section 23305.

CLAIMS FOR REFUND FILED WHEN CORPORATION IS IN GOOD STANDING

Claims for refund filed prior to suspension are valid claims for refund. However, a refund may not be issued until the corporation is revived. The Claims Control Desk will send a letter to the taxpayer with instructions as to what to do to revive in order to receive the claimed refund. If the claim for refund is examined and it is denied, a formal denial is sent to the taxpayer. However, a paragraph is included indicating that the taxpayer cannot file an appeal until it is in good standing. If the claim for refund is allowed, it is sent for processing. The overpayment is

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credited to the account but it is not refunded. Once the corporation is in good standing, the refund will be released.

FIELD REFERRALS

Claims received at Central Office relating to an original return that is located at an FTB field office will be forwarded to that field office for action and possible resolution. If that office determines that the claim is not worthy of a field audit, the claim must be returned to the Claims Control Desk for possible assignment to a desk auditor for resolution. The field should return only those claims that can effectively be resolved by MSA Desk Unit.

NOTE TO FIELD AUDITORS:

a. If the auditor receives an amended return, Form 100X

When a field auditor receives an amended return from the taxpayer requesting a claim for refund, the following steps must be taken:

- a) VERY IMPORTANT: The amended return must be date stamped upon receipt (reflect the actual received date on top of the amended return) to prevent problems with the statute of limitations.
- b) Create a case unit in PASS or add a case unit to an existing PASS audit file.* *
* * * * *
- c) Make a copy of the amended return for your records and write "COPY" in red.
- d) Route the original amended return to the Claims Control Desk in MSA Central Office, * * * * * Attach a cover sheet:
 - Stating the Form 100x needs to be processed.
 - Include any needed instructions, any account notes that may need to be performed, or any special needs.
 - Indicate whether the claim should be returned to the field office. If so, indicate the mail stop and to who's attention.
- e) The Claims Control Desk will make sure the amended return receives a DLN and is added to BETS, * * * * *
- f) When a DLN has been assigned to the amended return, the Claims Control Desk will update the DLN on the PASS case unit and route the original amended return back to the field auditor.
- g) When the field auditor receives the original return, the copy of the amended return can be destroyed.

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b. If the auditor receives correspondence claim for refund

If you receive a correspondence claim for refund directly from the taxpayer, it must be date stamped. For a correspondence claim, you should:

1. Decide whether or not you will work it.
2. If you decide to work the correspondence claim with your audit:
 - o Keep it.
 - o When your audit is completed, ensure the date and "CLAIM" is shown at the top of the correspondence claim.
3. Create a case unit in PASS or add a case unit to an existing PASS audit file. Use the same DLN as the original return.
4. If you do not work the claim:
 - o Send it to the Claims Control Desk in MSA Central Office, * * * * *
 - o Attach a cover sheet stating the claim should be processed and assigned to be worked.

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10020 CLAIMS - STATUTE OF LIMITATIONS

The statute of limitations (SOL) for claims effective January 1, 2000, is generally the same as the SOL for deficiency assessments as long as the tax return was timely filed (**MAPM 9030**). The SOL for all open refund claims is determined as the later of the following dates:

1. Four years from the original due date of the return.
2. Four years from the date the return was filed (if filed by the due date or within the extension period).
3. One year from date of overpayment.

If the return was filed after the extended due date, item number 2 above does not apply and the SOL is determined by reference to the original due date of the return which is generally 2.5 months after the last day of the taxable year. This rule is different than the SOL rule for deficiency assessments since an NPA may be issued up to four years after the date the return was filed regardless of whether it was timely filed.

The law became effective on January 1, 2000, to any taxable year with an open statute on that date. It does not apply to re-open the SOL on a year in which the SOL has expired under the old law. Under the old law, the SOL for claims was determined as the later of the following dates:

1. Four years from the original due date of the return;
2. One year from date of overpayment.

RUSH REQUEST

* *****

* *****

CLAIMS AND SOL

If a claim audit is started after the expiration of the SOL for issuing an NPA, the auditor may continue to pursue adjustments for audit issues as well as the claim issues to offset the claim. However, tax can be increased only to the extent of the claim.

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10030 AUDIT PROCEDURES AND CLAIM RECOMMENDATIONS

Follow these procedures when auditing a claim for refund:

1. Determine the taxpayer's status under BETS, * * * * *. If "suspended" or "forfeited" and the auditor has not started an audit, forward the claim for refund to the Claims Control Desk. The Claims Control Desk will contact the taxpayer. If taxpayer contact has been made, see your lead auditor. Check BETS conversations * * * * * to determine if there are other amended returns or activities that would affect the claim.

2. Check the year to which the claim for refund applies:
 - a. Was the claim timely filed? Verify the statute of limitations. Is the statute of limitations open for issuing a refund?
 - b. Verify the amount of the claim for refund.
 - c. If the taxpayer has not paid the original tax return liability, a claim for refund cannot exist. However, the amended return should be analyzed to determine whether the original tax liability requires adjustment. Also, if "CORP CLAIM" was stamped on the claim, this will need to be removed and if a CLAIM case unit was created on PASS it must be changed to an AUDIT case unit. * * * * *
 - d. If the original tax has been paid, the amended return is a claim for refund. Verify that "CORP CLAIM" has been stamped on the claim for refund and that a CLAIM case unit has been created in PASS.

3. Analyze the claim:
 - a. Verify the corporate folder information and that all the necessary tax returns are available.
 - b. Determine the basis of the claim. Scope the return for any other issues.
 - c. Determine whether the claim adjustments actually apply for California tax purposes.
 - d. Determine the materiality of the issues. If the claim appears reasonable, consider allowing it.
 - e. If the claim can be resolved without taxpayer contact, allow the claim without audit. Make sure paragraphs 60014 and 60015 are used. These paragraphs explain to the taxpayer that the claim has been allowed without audit and may be subject to examination at a later date.
 - f. Determine whether the claim should be sent to another section, unit or program office.
 - g. If the claim should be sent to another unit, route it to the Claims Control Desk to record the transfer on BETS and PASS.
 - h. A decision to deny a claim must be supported with a proper analysis of

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the facts in conjunction with a correct application of the law and regulations.

- i. *****
- *****

4. **The normal work papers are required on every claim audit.**

5. Audit the claim as necessary using general audit guidelines. Assemble cases in the manner provided in **MAPM 4010**.

6. If during the course of an audit, the auditor discovers an adjustment reducing a deficiency or resulting in a refund, the auditor should consider incorporating the adjustment into the audit, rather than requiring the separate filing of an additional claim for refund. The auditor should consult with the taxpayer to determine the best course of action. See **MATM 3595** on how to proceed when a refund is detected. This does not include "Walker Letter" situations discussed in **MAPM 6050**

7. Closing the Claim:

Worksheets and Forms

CLAIMS ALLOWED IN FULL

- a. The corporation does not have appeal rights when claims are "allowed in full".
- b. For claims for refund filed on an amended return or written correspondence complete the Auditor's Recommendation Formal Claim Form (FTB 6638) only. Ensure the proper paragraphs are reflected on the notice. If the claim was allowed without audit, check the box to include paragraphs 60014 and 60015. If claim was allowed after an audit, make sure to cross out paragraphs 60014 and 60015 and use the appropriate paragraph.
- c. *****
 - *****
 - *****
 - *****
- d. *****
- e. *****

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CLAIMS ALLOWED FOR MORE

- a. The corporation does not have appeal rights when claims are "allowed for more".
- b. Complete the BCT NPA Worksheet Form (FTB 6830BCT) only. Ensure the proper paragraphs are on the notice. Include a paragraph explaining that income is from the amended return and previously assessed is from the original return or correspondence claim filed by the corporation.
- c. *****
 - *****
 - *****
 - *****
 - *****
 - *****
 - *****
 - *****
 - *****
- d. *****

- e. *****

REVISED CLAIMS OR PARTIAL DENIALS

- a. For revised claims (also known as partial denials), the Business Entities Audit Technical Support (BES) will include the appeal rights when the final notice is sent to the taxpayer.
- b. Complete Form FTB 6830BCT only. Include the appropriate paragraph that explains why the claim is being revised.
- c. *****
 - *****
 - *****
 - *****
- d. *****
- e. *****

- f. *****

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CLAIMS DENIED IN FULL WITH NO OTHER NOTICES

- a. In the * * * * *, draft a claims denial letter explaining the reason for the denial. Request "Informal Review" of the case and submit it for review. After the case has been approved, the claim denial letter is sent to the taxpayer. Enclose the form Business Entities Procedure for Filing an Appeal for the Denial of a Claim for Refund (FTB 1087), which explains the appeal rights.
- b. * * * * *
 - * * * * *
 - * * * * *
 - * * * * *
- c. * * * * *
- d. * * * * *
- e. * * * * *
- d. * * * * *

CLAIMS DENIED IN FULL WITH OTHER NOTICES FOR OTHER YEARS

- a. For claims denied, BES will include the appeal rights with the final notice when sent to the taxpayer. BES will send all related notices at the same time.
- b. Complete FTB 6638 only. Please include the appropriate paragraph(s) that explain why the claim is being denied.
- c. * * * * *
 - * * * * *
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- d. * * * * *
- e. * * * * *
- f. * * * * *

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CLAIM ISSUE IS DENIED IN FULL AND NPA IS ISSUED FOR THE SAME YEAR

- a. BES will include the appeal rights when the final claim denial is sent to the taxpayer.
- b. Complete FTB 6830BCT or BETS NPA (use appropriate notice). Complete FTB 6638 for a full denial. Use the appropriate paragraphs on both notices. On Form *****
- c. For these cases, the claim denial will be held until the NPA is final. BES will then issue the claim denial along with the appeal rights. This allows the taxpayer to appeal both the NPA issue and the claim issue at the same time and therefore both issues are resolved at the same time by Legal.
- d. *****
 - *****
 - *****
 - *****
 - *****
 - *****
 - *****
 - *****
 - *****
 - *****
 - *****
- e. *****
- f. *****
- g. *****

CLAIM ISSUE ALLOWED BUT NPA IS ISSUED FOR THE SAME YEAR

- a. BES will include the appeal rights when the final claim denial is sent to the taxpayer. The reason for the denial is because even though we allowed the amount related to the issue reflected in the claim, a refund would not be generated to the taxpayer since the overpayment of tax will be applied to the NPA.

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to your reviewer.

8. Closing the Audit:

If audit work was performed on open returns for all years up to and including the claim year, initial all returns in the upper right-hand corner of the front page of each return.

9. * * * * *

* * * * *

- a. * * * * *
- b. * * * * *
- c. * * * * *
- * * * * *
- d. * * * * *
- * * * * *

10. * * * * *

11. **Claim withdraw by Taxpayer**

If the taxpayer files a claim for refund and subsequently decides to withdraw the claim, the auditor must follow the procedures as outlined below:

- 1. Request a written confirmation from the taxpayer of the claim withdrawal.
- 2. If the taxpayer does not provide a written confirmation, the auditor should send the taxpayer a letter confirming the request to withdraw the claim for refund.
- 3. * * * * *
- 4. Prepare form 6213A, Accounting Instructions/Entity to have the claim processed as an information return/correspondence. Under reason add "Claim withdrawn by taxpayer".

Note: Since the taxpayer is withdrawing the claim, it is **NOT** treated as a claim denial and the taxpayer does not receive appeal rights.

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Reviewed: January 2006

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10040 REFUNDS, CANCELLATIONS AND OVERASSESSMENTS

REFUNDS - The correct tax liability is less than the tax assessed and paid.

CANCELLATIONS (abatement) - The correct tax liability is less than the tax assessed.

OVERASSESSMENTS - Overassessments (O/A) generally result from an audit determination when tax on the return is overpaid.

Adjustments to income resulting in small refunds will not ordinarily be initiated, if there are questionable items on the return, which if disallowed, could possibly offset the adjustment. If the taxpayer requests or expects the adjustment, or consistency with our other actions is a factor, then the refund should be made.

The Claims Control Desk manages formal claims initiated by a taxpayer. Claims are generally filed on California form 100X. However, other written requests for refund can be treated as claims as though a form 100X was filed.

REFUND/CANCELLATION SITUATIONS

The following are the most common types of refund/cancellation situations encountered by the department:

- 1. Audits that reduce tax and result in an overpayment.
- 2. Federal Audit Reports (RARs) received from the taxpayer.
- 3. Canceling or revising an NPA in billable status.
- 4. Credit balances on an account.

COMPLETION OF FORMS - OVERASSESSMENTS

After an overassessment is determined, prepare a PASS form FTB 6830-BCT, NPA Worksheet (**MAPM 7020**). After supervisor review, send the file (PASS and paper) to BES (desk) or Technical Resource Section (field) for processing according to the auditor's instructions. * * * * *

COMPLETION OF FORMS - CANCELLATION OF TAX

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Complete PASS form FTB 6213A, Accounting Instructions/Corp. **(MAPM 7120)**, when an NPA is in billable status and tax is overassessed. BES will process the form.

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10050 CLAIMS – RARS AND PENDING FEDERAL

Claims - RAR

All apportioning corporation claims for refund (amended return and correspondence claims) containing RAR adjustments are referred to the Multistate Audit RAR Unit. Each amended return is reviewed to determine if the applicable California adjustments were made, if so the amended return is accepted as filed. If revisions are necessary, a notice of proposed assessment (NPA) or overassessment (O/A) reflecting the changes will be issued.

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- To the extent possible, all RAR's are worked on the basis of when the RAR was received at FTB (First-in, First-out). Exceptions are made for statute (SOL) cases and BOR date. The RAR ready to work workload will be maintained by two types: 1) RAR - Claims filed by BOR date, 2) RAR - Other filed by date received, except statute cases will be moved to the front of the line. It is the auditor's responsibility to check both files and pull by date the claim that will expire first.

Claims – Pending Federal

1. California claims which are filed on a similar basis as a claim filed with the IRS (federal 1120X) and do not have any state issues are treated as follows:
 - a. The auditor will request a BMF transcript (FTB 6227) to determine if the IRS has allowed the federal amended return (1120X). If the IRS amended has been allowed the auditor will allow the California claim.
 - b. If the IRS amended has not been allowed, the auditor will send an initial contact letter to the taxpayer using PASS form FTB 1535. *****

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- c. If the taxpayer replies that IRS action is still pending or in process, the coordinator updates ***** with a one-year follow-up and holds the case on the follow-up wall/shelf. After one year, the coordinator will send a series of P/F letters to the taxpayer requesting the status of the federal amended return (1120X). If a response is not received to the series of letters, the case is transferred to the P/F lead auditor for assignment to the audit staff.
- d. If the taxpayer replies that IRS action has been taken on the amended filed with IRS, the P/F coordinator will update the event log with the following – “Information received from t/p – claim is ready to be worked”. *****

***** The coordinator then returns the PASS case and paper file to the auditor or audit supervisor.

- 2. If there are material state issues, which warrant an audit, the audit should be opened immediately. In the initial contact letter, the auditor should request the status of the federal amended returns (1120X) and follow-up during the course of the audit as necessary. The audit should not be closed until all state issues are resolved and the IRS has taken action on the 1120X.

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10060 OFFSET CASES

RELATED NPAS AND O/As

If all notices within a case are related and must be kept together in one package (previously referred to as a consent package), do the following:

- 1) Check the "Notice Related" box on each NPA and O/A worksheet (PASS form FTB 6830BCT).
- 2) Hold all NPAs and O/As for a period of 90 days (60-day protest period + 30-day processing).
- 3) If protest is not received within this timeframe offset O/As against NPAs and refund or bill remaining balance to the taxpayer.
- 4) If any NPA or O/A is protested, forward all notices to the Protest Unit for resolution.

AUTHORIZED OFFSET WITH RELATED NPA AND O/A

If the audit is agreed, contains only related notices and written authorization was obtained from the taxpayer or representative to offset O/As against NPAs prior to expiration of the 60-day protest period, do the following:

- 1) Check the "Notice Related" box on each NPA and O/A worksheet.
- 2) Write "OFFSET" on each O/A worksheet indicating taxpayer's written authorization was received.

If BE Audit Technical Support determines a LARGE refund is due once the overpayment is computed, offset is performed immediately and refunded as soon as possible to reduce interest charges payable by the state.

If the related O/A will not result in a refund, the case will be held for 90 days.

NOTE: If the audit is unagreed, do not pursue an authorization to offset.

NPA/O/As WITH UNRELATED OVERASSESSMENT NOTICES

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In the rare instance where an audit package contains unrelated O/As that should be refunded regardless of protest, do the following:

- 1) Check the "Notice Unrelated" box on the O/A to be processed (refunded) regardless of protest.
- 2) Check the "Notice Related" box on those notices (NPA or O/A that should remain together).

If the notice(s) are not protested, O/As will be offset against NPAs and any remaining balance will be refunded or billed to the taxpayer. If the related NPA and O/A are protested, the related NPA and O/A will be forwarded to the Protest Unit for resolution. The unrelated O/A will be refunded without offset.

Note: The unrelated notice is truly an exception to the rule. The purpose of an unrelated notice is to provide a means for issuing notices regardless of protest action on other notices. This should not occur often.

Example 1: RAR Received for an Taxable year End not in the Audit Cycle

As a result of an audit, NPAs are issued against TYE 12/90 and 12/91 with an O/A issued against TYE 12/92. The notices for all three years are "related". During the audit, the taxpayer inquires about an unrelated RAR refund in TYE 12/94. The auditor agrees to resolve the RAR. The 12/94 O/A is "unrelated". In preparing the worksheet, the auditor should check the "Notice Unrelated" box associated with TYE 12/94. If the related audit notices (TYE 12/90 – 92) are protested, the technician will send only the related audit notices to the Protest Unit for resolution. The unrelated RAR is processed separately.

Example 2: Issue is NOT Transactionally Related

Notices may be unrelated if the issues adjusted are not transactionally related, and there are no transactionally related issues being adjusted on the O/A.

For example, a bad debt is disallowed in one year, resulting in an NPA, and a business expense is increased in another year, resulting in an overassessment. There are no other common issues on the notices. These may be treated as unrelated notices.

10070 BARRED OFFSET - SECTION 19314

California Revenue and Tax Code §19314 permits an offset of any barred overpayment that results from a transfer of items of income or deduction to or from another year for the same taxpayer or affiliated taxpayers whose tax is determined under Chapter 17 (commencing with R&TC §25101) of the Code. No offset shall be allowed after the expiration of seven years from the due date of the return on which the overpayment is determined (**MAPM 9040**).

WORKSHEET FOR OFFSET ALLOWABLE (Use Form FTB 6830BCT)

- 1) Label the top of the form "Schedule I".
- 2) Line through the words "Additional Tax" and "Overassessment" and write "Offset Allowable, R&TC §19314".
- 3) Attach the worksheet to the outside of the folder behind the NPA worksheet on which the offset is being allowed.

WORKSHEET FOR NPA (Use Form FTB 6830BCT)

- 1) On the Previously Assessed line, write "From Allowable Offset and Return."
- 2) In the column, enter the total of the allowable offset and the previously assessed tax per the return.

Cases involving more than one taxpayer require special attention to avoid unauthorized disclosure. If unauthorized disclosure becomes a concern on a given case, the computation of the offset should be mailed separately to the affected taxpayers. The offset on form FTB 6830BCT should be described as "Offset Allowable, §19314, from the return of _____."

10090 ERRONEOUS REFUND

There are occasions when refunds are made in error, such as a refund sent to an incorrect address or an incorrect refund amount sent to the taxpayer. When an erroneous refund occurs, the department must send a letter to the taxpayer informing them of the situation and requesting a return of the refund. Information concerning the erroneous refund-accrued interest is usually sent along with the letter.

Process a billing cycle change to allow time for the taxpayer to return the erroneous refund. The interest allowed will be reversed. No interest is charged if the erroneous refund is repaid within 30 days of notification of the error. If refund is not repaid within 30 days, interest accrues from the date of the letter.

BE Audit Technical Support will enter the necessary transactions on BETS upon receiving the auditor's instructions for processing the erroneous refund. Use form FTB 6213A, Accounting Instructions/Corp.

CALIFORNIA FRANCHISE TAX BOARD

10100 CLAIMS CONTROL SYSTEM

The former Claims Control System, commonly referred to as BCCLR, was a recording and tracking mechanism for various corporation claims received by the department. As of July 1, 1999, the Claims Control Desk discontinued to update BCCLR. However, employees may continue to access the system for historical/research purposes. BETS and PASS are the current systems used to record and track claims. BETS * * * * * indicates years in which claims exist for a specific taxpayer. Detailed information regarding a claim is available on PASS. A find function may be used to locate PASS files.

The BCCLR display screen provides the following information:

1	Account Number	Corporation Number
2	XREF	Key Claim Number
3	Claim Year	Year of Claim. If more than one, separate screens for each.
4	Audit Code	"A" for Allocating General, "G" for General Corporation
5	Name	Corporation Name
6	Claim Amount	The amount the taxpayer is requesting as refund
7	\$ Allowed/Denied	Amount of claim allowed or denied upon close-out
8	Disposition	"Blank" indicates an open case, "C/O" indicates closed case
9	Issue	Primary issue of the claim
10	Issue Codes	Issue code for the claim
11	Comment Section	Usually contains location information, associated taxpayers
12	Taxes Paid	Previously assessed tax
13	Date Claim received	Date the claim was received by FTB
14	Referred	Initials of the auditor to which the case was assigned
15	Date Referred	Date case was assigned to the auditor
16	Charged	Tracks location of the case (i.e., BE Audit Technical Support)
17	Date	Date the case was "charged" or sent out to a particular location

NOTE: ((* *)) = Indicates confidential and/or proprietary information that has been deleted.

The information provided in the Franchise Tax Board's internal procedure manuals does not reflect changes in law, regulations, notices, decisions, or administrative procedures that may have been adopted since the manual was last updated.

10110 APPEALS FROM CLAIM DENIALS – PROCEDURES

Once a claim for refund is denied, the taxpayer's next available option is to file an appeal with the State Board of Equalization (SBE). When the SBE decides a case, it sends a copy of its decision to Legal. Legal then sends a copy of the decision and appeal file to MSA Technical Resource Section (TRS) for analysis and processing purposes. TRS will review the decision and determine whether the department was sustained in its position or whether the taxpayer is due a refund.

- If the SBE sustained our position, insert the written SBE decision inside the first page of the return for the latest year appealed. Return any appeal folders included in the file to Legal. Return the taxpayer's files (i.e., tax returns and audit files) to Data Services.
- If the SBE did not sustain our position and the taxpayer is due a refund, route both the appeal folder and the taxpayer's files to the BE Audit Technical Support for the necessary action.