3000 PRE-AUDIT

MAPM 3001 Coordination of Comprehensive Audit
MAPM 3010 Audit Expectations
MAPM 3015 Customer Service
MAPM 3050 Desk Audit Field Referrals
MAPM 3060 Surveys
MAPM 3070 Surveying Cases After Taxpayer Contact
MAPM 3080 Guidelines for Previously Audited Tax Years
MAPM 3085 Settlements and Closing Agreements
MAPM 3090 Truck Audits for Desk Unit
MAPM 3120 How to Request Tax Returns
MAPM 3130 LIM Dates
MAPM 3140 Returns Received From The Taxpayer in the Field
MAPM 3200 Tax Shelter Registration

The pre-audit phase is vital to the audit process. This is the phase where auditors determine whether to proceed with an examination or accept the returns as filed. If proceeding, the auditor plans the audit and performs the preliminary work. Proper attention to the pre-audit procedures will improve the quality of the audit and help reduce total audit time and costs. See the MATM for an expansion of the pre-audit procedures.

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.

3001 COORDINATION OF COMPREHENSIVE AUDIT

The goal of the audit program is to provide quality audit products through coordinated efforts throughout the Audit Division by ensuring audits are conducted in accordance with the Principals of Tax Administration and Best Audit Practices. (R&TC section 19032.) An important step in achieving this objective is to identify all significant issues at the beginning of the audit, so they can be effectively addressed in a timely manner.
Program areas within the Division have designated supervisors and/or specialists who serve as initial contacts for coordinating audit selection modeling, assistance with coordinating joint audits, and providing technical direction. These individuals and their respective areas are:

Multistate Desk Audit:	
	S-Corps
	Partnerships
	C-Corps

Personal Income Tax Program:	
	Residency
	Estates & Trusts
	PIT

Pass Through Entities Program:	
	S-Corporations
	Partnerships

C Corporation Progam:	
	Central Office
	Field Operations
	Field Operations
	Field Operations

Both MSA and GTA Technical Resource Section staff are available to provide technical assistance. The Audit Division website under "Who To Contact" (**********) provides a listing of the individuals in these sections along with their area of expertise.

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.

3010 AUDIT EXPECTATIONS

Auditors are expected to effectively manage their inventory, plan their work, consider the materiality of issues and conduct examinations with the least intrusion to taxpayers. Auditors should apply the following guidelines:

- Avoid opening new audits with less than 6 to 12 months left before the statute of limitation expires. The taxpayer's compliance history, revenue impact, and the estimated time to complete the audit should also be taken into consideration when considering whether to open an examination so close to the expiration of the statute of limitations.
- Remain objective, fair, and reasonable throughout the audit process.
- Hold an opening conference to discuss audit guidelines, timeframes, audit scope, materiality, identified issues, and information needed to complete the examination.
- Prepare and discuss with the taxpayer an audit plan.
- Confirm the number and dates of future field audit appointments needed to complete the audit.
- Strive for clear and timely communication with the taxpayer during all phases throughout the audit process.
- Ensure requests for information are timely, relevant, and reasonable (consider the practicality, costs and alternative forms of documentation).
- Put your request for information in writing. Use a single question Information Document Requests (IDRs) format.
- Ensure taxpayers understand why relevant documents are needed.
- Avoid unnecessary rework by timely preparing organized and clear audit workpapers.
- Maintain timely follow-ups with taxpayers and meet established timeframes.
- Establish a positive working relationship with taxpayers. This will promote the completion of the audit in an effective and timely manner.
- Issue an Audit Issue Presentation Sheets (AIPS) as soon as the issue is completed to inform the taxpayer of the proposed audit adjustment.
- Ensure the facts and applications of tax laws support the final audit recommendations.
- Ensure taxpayers are well apprised of the final audit recommendations and the status of their audit.
- Strive to complete the audit within a two-year period and within the normal statute of limitations. Otherwise, secure a waiver to protect the statute of limitations (SOL), as it is the auditor's responsibility to ensure that the statute of limitations does not expire, once an audit has commenced. (See MAPM 9000 - MAPM 9110 for SOL and waiver information.)

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.

3015 CUSTOMER SERVICE

In the audit environment, Quality Customer Service is to listen, recognize, and respect customers' needs and provide timely assistance. The Franchise Tax Board continues to seek quality and excellence in the service it provides to its customers.

Our current audit focus is to deliver customer service through the completion of quality audit cases, shortened audit timeframes, and auditing more current years. To move forward, we must continue to place a greater emphasis on customer service while ensuring compliance. The Audit Division emphasizes the following:

- Improve Customer Service - Increase auditors' awareness of customer service and its application during audit activities.
- Continue Current Focus - Produce quality audits, shorten audit timeframes, and audit current years.
- Maintain Timely Follow-Ups and Meet Deadlines (letters, phone calls, etc.).
- Minimize Intrusiveness - Use all available resources to minimize information requests; be flexible in accepting alternative documentation; apply consistent and clear application of law; focus on education and compliance to measure benefits and efficiencies.
- Heighten Professionalism in the Workplace - Improve communication; respect individuality and ideas; provide equal opportunities for staff.
- Continue Development of Staff - Identify and address staff needs (training, opportunities, special projects); develop staff awareness of taxpayer/representative perspective.

Establishing a positive working relationship with the taxpayer and/or representative, that is conducive to the effective and timely completion of the audit, is of critical importance. To create an atmosphere that encourages positive working relationships, auditors should adhere to the audit standards of legality, objectivity, timeliness and supportability.

During the course of interaction with the taxpayer and/or representative, auditors should:

- Strive for clear and timely communication with the taxpayer throughout all phases of the audit process.
- Convey the purpose of the audit and the legitimate need for the information requested. This includes discussing with the taxpayer, alternative sources of information that could satisfy our need for information.
- Evaluate the audit data timely and be fair and impartial when evaluation data.
- Be efficient. Therefore, IDRs should be limited to necessary information and look at minimizing the time and cost to both the taxpayer and the FTB, while still maintaining our audit quality standards.

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.

- Ensure that the audit progresses with a minimum of inconvenience to the taxpayer. This includes obtaining information from third party sources in order to minimize the inconvenience (see **MAPM 2050**, Third Party Contacts). Auditors should always keep in mind the other available sources of information, which could make an Information/Document Request (IDR) unnecessary.
- Ensure that both the facts and the law support the final audit recommendations.
- Communicate the results of the audit in writing to the taxpayer, and provide the taxpayer with the opportunity to rebut any findings. Audit Issue Presentation Sheets (AIPS) should be issued as soon as the issue is completed to inform the taxpayer of the proposed audit adjustment. (CCR Section 19032.)

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.

3050 FIELD REFERRALS

After properly scoping the returns, and an audit issue has been identified, the desk auditor must decide if the audit should be completed as a field audit or a desk audit.

FIELD REFERRAL CRITERIA

Below are some of the factors that make good field referrals:

- When the need for a detailed examination of the taxpayer's books and records appears necessary or practical to properly complete the audit.
- RARs, Claims for Refund and Amended Returns, when the year in question is already under audit in Multistate Field.
- Returns requested by the Multistate Field Unit.
- When the taxpayer requests that the case be handled in the field, the request will generally be granted unless a field audit does not appear warranted, or the matter can be handled satisfactorily by correspondence.
- When the returns, prior to the audit years, are in the field. Before referring these returns/documents to a Multistate Field Unit, call the auditor in charge of the audit to ask if the subsequent year returns are wanted.
- When the Legal Branch requires additional information not contained in the field audit report and the data cannot be obtained by correspondence.
- When the returns are identified as a major case. Major cases are those listed on the Fortune 500 and other cases identified by program offices. These cases are identified by a study code (130 - 137), found in BETS conversation ****.

TYPES OF ISSUES REFERRED TO THE FIELD

Once the tax potential criteria is met, the following issues make good field referrals:

1) Foreign parent cases.
2) Unitary issues. Cases that have diverse businesses without apparent centralized management (taxpayer filing combined or separately).
3) Schedule M-1 and M-2 adjustments that look unusual.
4) Business vs. nonbusiness issues that involve large partnership losses, capital gains, interest income, or dividend income.
5) Factor issues:
   a) Disproportionate factors - deviations of 10 percent or more between any apportionment factors.
   b) Balance sheet and income statement discrepancy with the apportionment formula.

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.

   c) Capitalized rents discrepancy with the property factor formula.
6) Claims if:
   a) The claim is based on a field audit.
   b) The original return is in the field and the auditor assigned the case has been contacted and agrees to handle the claim.
   c) The original return is in the field and it has not yet been assigned to a field auditor.
   d) The claim amount is large and the claim issues warrant a field examination.
   e) The claim is for a major case taxpayer.

This is NOT an all-inclusive list. Any unusual item can be sent to the field for audit. Check with your lead auditor or supervisor.

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.

3060 SURVEYS

The term "survey" refers to our acceptance of a return without further consideration. Surveys are generally identified by "S/(auditor's initials)" on the upper right-hand corner of the first page of the corporation return. Some field offices may indicate a survey by a stamp "Surveyed." While the decision to survey a return is usually delegated to the auditor, in certain situations the supervisor may review the recommendation. Since the field criteria differs from desk audit, the desk auditor should scope returns surveyed in the field for potential desk audits.

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.

3070 SURVEYING CASES AFTER TAXPAYER CONTACT

In some cases, auditors contact the taxpayer by phone or by correspondence and request copies of annual reports, federal returns or public information for the purpose of performing the test check during the scoping process. In other cases, the auditor will conduct a field visit to prepare the test checks. If the results of the test check do not warrant pursuit of the examination, then the case is closed without any substantive audit work having been performed.

We must clearly communicate the purpose for requesting information or for the field visit.

If the information requested is only to determined whether or not to conduct an audit, the taxpayer must know that. The following wording is suggested:

> The taxpayer's returns for TYEs xx/xx - xx/xx are being considered for possible audit. The determination whether to conduct an examination will be made based upon a preliminary analysis of the taxpayer's financial data. Please provide the following information to enable us to perform this analysis:

There is a fine line between obtaining information necessary to complete the scoping process, and actually beginning an audit. Generally, the documents requested at this stage should be limited to public information (such as annual reports or SEC Form 10-Ks), information that could be obtained through third party sources (federal tax returns), or information that should have been attached to the California return (missing schedules or supporting information). If you request documents that go beyond this threshold, then the audit has started.

If the auditor has already contacted the taxpayerand the tax potential revealed by the test checks does not warrant pursuit of the audit, the taxpayer should be notified. Since a "no change" letter implies that the return was examined, it is inappropriate to issue a no change letter in this situation. Instead, the taxpayer should be given the following notification:

> Based upon staffing limitations and the results of the preliminary analysis, an audit of TYEs xx/xx - xx/xx will not be conducted at this time. A "no change" letter will not be issued since an audit was not conducted. The returns will remain subject to audit until the expiration of the statute of limitations.

Since the test check is only an audit selection tool and may vary considerably from actual audit results, there is no need to notify taxpayers of potential refunds revealed by a test check <u>as long as the taxpayer has not yet been contacted</u>. Once taxpayers have been contacted and are aware that an auditor is looking at their returns, they should be informed if a reasonable possibility of a refund exists. The auditor should use judgement in determining whether the refund potential is reasonable. When notifying the taxpayer, it is important to stress that no audit work has been

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.

performed and that it is the taxpayer's responsibility to file a claim for refund and provide the documentation necessary to develop the facts. See **MAPM 6050** for samples of "Walker" letters.

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.

3080 GUIDELINES FOR PREVIOUSLY AUDITED TAX YEARS

In general, audited years should not be reopened. However, there are exceptions such as a material change in fact. The FTB has the statutory authority to examine any books, papers, or other data to ascertain the correctness of any return. In addition, there is no statutory limit on the number of audits per return. However, taxpayers should not be subjected to unnecessary audits. Therefore, audited years should only be reopened in the following limited circumstances:

- Misrepresentation of a Material Fact - Reopening an audit is justified when there is misrepresentation of a material fact, evidence of fraud, malfeasance, collusion, or concealment. This does not include development of a new audit perspective. Discoveries of information or issues missed by the prior audit are not considered misrepresentations of facts unless it can be demonstrated that the taxpayer deliberately withheld requested information.

- A Clearly Defined Substantial Error Based on an Established FTB Position - An audit may be reopened if the prior closing involved a clearly defined substantial error based on an established FTB position existing at the time of the previous audit. An error is clearly defined if it is readily apparent as opposed to being vague or uncertain.

  Substantial refers to the dollar amount of tax that would not be assessed if the case were not reopened. Substantial will be determined on a case-by-case basis, considering all the facts and circumstances relating to the materiality of the error.

  To be an established FTB position, the position must have been clear (not in the developmental stage) at the time of the previous audit. Examples of an established FTB position would include an Audit Branch Procedure Statement, a position taken in an FTB Notice, or a finding in a Legal Ruling.

- A Serious Administrative Omission - A serious administrative omission occurs when failure to reopen a closed audit could:
  1. Result in serious criticism of FTB's administration of the tax law.
  2. Establish a precedent that would seriously hamper subsequent attempts by FTB to take corrective action.
  3. Result in inconsistent treatment of similarly situated taxpayers.

Exceptions to the General Rules discussed above:

- Carryover Years -A net operating loss carryover or similar carryover may be audited in the year the carryover is used even though the year in which the loss originated is not

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.

within an open statute of limitations. To the extent the carryover is incorrectly reported, it should not be allowed to reduce tax in the current audit year or future years.

- Closing Agreements – In general, a Closing Agreement between the FTB and the taxpayer is considered final and conclusive, and except in case of fraud or misrepresentation of a material fact, it may not be reopened, modified, set aside or disregarded. Accordingly, the auditor should follow the Closing Agreement for all tax years specifically stated unless the auditor finds a material difference in facts or there has been a change in the relevant statute, regulations, or case law. If the auditor has a case that has these circumstances, the auditor should first consult with the audit supervisor before proceeding with disregarding a Closing Agreement.

- Surveys - When a return is classified as a survey, it merely indicates the return was not selected for audit. Consequently, an audit after a survey does not constitute reopening of an audited year.

- Post NPA Development - After a proposed assessment or an over-assessment is issued, the audit may be resolved with further factual development or law application (could include hearing officer, settlement or appeal attorney). The gathering of facts related to the assessment does not constitute reopening the audit of the return.

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.

3085 SETTLEMENTS AND CLOSING AGREEMENTS

The Franchise Tax Board is authorized to settle civil tax matters in dispute and enter into closing agreements. A civil tax matter in dispute is defined as the protest of a Notice of Proposed Assessment, an appeal to the State Board of Equalization, or an outstanding claim for refund which has been through the audit process. The purpose of the settlement program is to negotiate settlements of civil tax matters in dispute consistent with a reasonable evaluation of the costs and risks associated with the litigation of these matters. (R&TC Section 19442.) For more information, see FTB Notice 2003-2 (dated March 14, 2003).

These agreements provide the Franchise Tax Board and the taxpayer an opportunity for a quick and expedient resolution. Depending when the agreements were approved and whether specific issues were addressed in the agreements, the agreements may have an impact on current or subsequent examinations.

The taxpayer must first file a protest before it can submit a settlement request. The settlement procedure does not take into account a taxpayer's ability or inability to pay, but only the hazards and risks associated with the issues in dispute.

Closing Agreements

R&TC section 19441 authorizes the Franchise Tax Board or a member of its staff designated to do so to enter into a closing agreement with a corporation to settle any matter pertaining to tax. The agreement is considered final and conclusive, and except in case of fraud or misrepresentation of a material fact, may not be reopened, modified, set aside or disregarded.

Settlement Agreements

R&TC section 19442 provides the Franchise Tax Board with the authority to enter into settlement agreements to settle civil tax matters in disputes that are the subject of protests, appeals or claim for refund, consistent with a reasonable evaluation of the costs and risks associated with the litigation of these matters. The 3-member Franchise Tax Board is also required to meet specific time constraints to act on any recommendations for settlement. Settlements not acted upon within 45 days after being submitted to the 3-member Franchise Tax Board are deemed approved. In addition, all settlements entered into are considered final and may not be appealed, unless upon a showing of fraud or misrepresentation of a material fact.

On September 17, 1999, the Franchise Tax Board issued a general policy statement explaining that settlements were limited only to the settled actions and would not impact any other years or other actions for the same years. The settlement years were considered closed as to the issues in dispute with the exception of final federal determinations. Therefore,

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.

closing agreements were used for other items that impacted other years or actions for the settled years. Examples of items that impacted other years would be the apportionment factors, the ending balance of the bad debt reserve, carryover adjustments, etc.

For settlements approved on or after January 1, 2003, the settlement provisions were modified. The new provisions provide that settlements are now to include other items or matters that were previously included in a closing agreement. Due to the change in law, the Franchise Tax Board issued a new policy statement on July 17, 2003 providing that settlement agreements are currently considered final and conclusive to the same extent of a closing agreement. Therefore, it is now the general policy of the settlement bureau that the settlement years will be closed, except for final federal determinations, and amounts due and payable as of the date the taxpayer signs the settlement agreement, barring further assessments by the Franchise Tax Board and claims for refund.

Compromise Agreements

Do not confuse a compromise agreement with a settlement agreement. A compromise agreement is clearly distinguished from a settlement agreement in that a taxpayer is not disputing the tax liability. The taxpayer is requesting relief from an undisputed tax liability based on an inability to pay. R&TC section19443 authorizes the Franchise Tax Board to enter into compromise agreements with taxpayers regarding final tax liabilities. The term "tax liabilities" includes interest, penalties, and other additions to tax.

Audit Guidelines and Impact on Audit Determinations

For settlements approved after January 1, 2003, the settlement agreements will address how a specific settlement adjustment will be treated in subsequent years or if an adjustment will affect any other pending audits. For settlements approved prior to January 1, 2003, the closing agreement will address other items effecting other years or secondary audits.

If the agreements do not address how the settlement adjustments will effect other years, the settlement adjustments are disregarded for subsequent years. If an agreement is final and a secondary examination for the same year is not addressed, any other adjustments may be barred from an assessment. An exception is provided upon showing of fraud or misrepresentation with respect to a material fact.

In accordance with the new policy statement dated July 17, 2003, the settlement staff will create an issue folder in the audit workpapers of the PASS case titled "Settlement Memo" that will contain a memorandum informing the audit staff of the actions affecting the settlement years or subsequent years. In addition, the audit staff may assist settlement staff by disclosing information in the initial audit narrative of any anticipated secondary audits.

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.

At times, auditors may not be able to open the case file because the taxpayer is in settlement negotiations. Under the circumstances, the auditor will need to contact the settlement officer (or responsible owner). Below are guidelines with respect to the impact on subsequent audits and secondary audits:

- Unity determinations are based on the strengths and facts of a current year cycle and not on a prior settlement determination.
- Agreed adjustments effecting carryover adjustments are only considered if addressed in the settlement agreement. To illustrate see the next two examples:
  1. Suppose the audit schedules were revised by the protest hearing officer and the settlement officer. However, the final settlement agreement *does not* address the effect of the Alternative Minimum Tax on the tax credit for the subsequent year. The auditor for the subsequent year examination would use the Alternative Minimum Tax Credit based on the Alternative Minimum Tax determined by the hearing officer.
  2. The Internal Revenue Service completes its examination and issues a final federal audit report after the settlement agreement is approved on June 30, 2003. The settlement agreement does not specify that the revised apportionment formula is to apply to the federal audit adjustment. The auditor is required to use the apportionment percentage from the last determination to compute the additional tax on the federal audit adjustment.
- A secondary examination was completed after a settlement agreement was approved for the same year. The settlement agreement was approved on August 2003. The settlement agreement does not address the second audit. The assessment may not be issued because the settlement agreement bars any additional assessments with the exception of fraud or material misrepresentation.
- The auditor did not disclose information in the audit narrative of an anticipated secondary examination and discovers a pending settlement. The auditor should immediately contact the settlement officer.

Due to the legal and binding nature of closing agreements, they are drafted by Legal Division staff and reviewed by the Legal Affairs Bureau. The final agreement is generally signed by the FTB's Executive Officer.

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.

3090 TRUCK AUDITS FOR DESK UNIT

MSA Desk auditors scope returns from trucks obtained from Data Service and Storage. Trucks contain corporate folders that are sorted by the California identification number.

The most effective method of scoping returns is by examining multiple years at the same time. As a result, returns are examined on a two-year audit cycle. As discussed in **MAPM 3010**, returns within the two-year cycle are the primary focus of the examination; however, all open years may be examined.

The specific tasks associated with this workload are as follows:

An auditor or a team of auditors scope the audit trucks. Each corporate folder on the truck is reviewed to determine if the return merits an audit, should be surveyed without further consideration, or referred to a field office.

Returns that are accepted without further consideration are "surveyed" and identified as such by marking "S/auditor's initials" on the upper right side of the front page of the tax return.

A pink “Recharge Notification slip” must be placed on the truck to identify corporate folders that have been removed.

When the truck is completed, the auditor or the team leader should put all of the recharges in a messenger service envelope, which should be placed on top of the truck. A route slip to DSS should also be placed on top of the truck. The truck should then be placed in the designated area for completed truck audits and returned to files. Statistics (returns surveyed, field referrals, letters written, and notices issued) are provided to the audit supervisor at the end of each month.

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.

3120 HOW TO REQUEST TAX RETURNS

Obtaining tax returns for examination is a critical factor in the successful operations of the MSA Program. When generating requests for a large volume of returns, you should notify DSS to expect the workload by sending them an electronic message addressed to "790mgrs" indicating the number of items requested and the date you need them. DSS staff will confirm your request and assign a contact person if further information is needed.

There are four ways to request returns from Data Service and Storage Section (DSS):

1) PASS Requests
   This is the preferred request method of DSS. Returns can be requested from various windows in PASS, including, but not limited to the Work Area window, the Case Unit window and the Inventory window. See **PASS Help** for specific instructions.

2) Paper Requests
   Complete form FTB 6237, Corporation Folder Request, when requesting corporation returns and folders. Include the date, requester's unit number, initials and telephone number, corporate name and number, classification (i.e., general, financial, allo-general), status (i.e., active, suspended).

   If you are requesting more than one corporation, you must list the corporations numerically in ascending order on form FTB 6237 or on an Excel worksheet. You must also include the TYE and DLN for each return. You may either route your request, fax the list to 916-858-0908 or send it as an Excel attachment on an Outlook message to "790ISSREQ". DSS may reject your request if it is not submitted in corporation number order.

   When requesting individual tax years, include the tax year-end, return DLN, and posting date.

   When requesting corporation folders, write "folder" in the TYE field of the form.

   Complete form FTB 6180, Request and In-Lieu form, when requesting: Form 540, 541 and 565. Check the appropriate box and then include: DLN, tax year, taxpayer's name and SSN, requester's unit number, initials and date.

   Using the above forms can take three to four weeks before the auditor receives the tax returns. To shorten the time, write, "RUSH" in red. If Data Services cannot locate the requested document, the auditor will be notified and if further search is required, the

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.

auditor may request an outsearch. Auditors should use good judgement and only request an outsearch when necessary, as an outsearch can be a time-consuming process. (See **MAPM 18090**, Outsearch.)

3) BETS Requests
4) Rush Telephone Requests

BETS REQUESTS

NOTE: Before requesting returns through BETS please verify that your BETS profile is correct.

To request corporation returns or partnership returns use conversation ****.

(TAB) to Entity ID, enter 3 for corporations, 1 for partnerships,
(TAB) enter Entity ID number
(TAB) enter Account Type (press) enter**.**
(Enter) X next to the selected account period
(Press) F24 Request

To request the entire Corporation folder:
Do all the steps listed above for requesting individual tax years and
(Enter) Y next to request folder (Press**)** Enter

BETS requests have been know to take 3 or 4 weeks and can be subject to system "glitches"

RUSH REQUEST BY TELEPHONE

Call Data Services for rush requests:
Corporation (x4701)
Personal Income Tax (x5180)

DSS will accept all telephone requests for any of the following circumstances:

- NPA protest case
- Court litigation
- Legal cases
- Sensitive case
- Misapplied money
- Claims
- Irate taxpayer

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.

- Short statute of limitations

Tax returns requested by Phone requests are usually sent to the auditor within two to four days.

USING OUTLOOK TO SEARCH FOR RETURNS OR AUDIT FILES

Audit staff may use outlook email to request assistance in locating tax returns(s) or audit files if DSS cannot locate the requested information within the time periods prescribed under GPM section 0630 (**********). However, the audit staff should **limit** their search to areas where there is a reasonable probability for finding the tax return(s) or audit file. In no circumstances should the auditor send an email to "All Audit Users" because of the potential risk of an unauthorized disclosure.

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.

3130 LIMITED RETENTION DATE (LIM) DATES

A "LIM" date is the date, beyond normal destruction, that the tax return is to be maintained in Data Services. The requester determines the LIM date of a return according to individual needs of each case.

Determine the year to which the return should be saved and write that year in green felt pen, not a green pencil, in the upper left-hand corner of the return. For example, you have an RAR in 1998 where you know that the case is in Tax Court and the taxpayer has stated it will take several years for the case to be resolved. The auditor determines that the return should be preserved until the year 2009. Consequently, you would write "LIM 09 RAR" in the upper left-hand corner of the return. This means the return will be kept until 2009 and was "LIMMED" for RAR.

Other LIM codes are:
MC - Major case
C/A - Corp audit
C/O - Collections
CL - Claims
NPA - Notice of Proposed Assessment
L - Legal

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.

3140 RETURNS RECEIVED FROM THE TAXPAYER IN THE FIELD

Whenever a return (delinquent or amended) is received from the taxpayer in the field, with or without remittance, and is required for audit, compliance or other purposes, a photocopy of the return will be made and the original will be forwarded to central office for numbering and processing.

Any action to be taken on the return should be made using the photocopy of the return filed. When submitting the completed report for review, the box entitled "Taxpayer's Copy" should be checked on the form FTB 6430. "Taxpayer's Copy" should also be written in "red" on the photocopy of the return.

If at a later date it is decided that the original return is needed in order to complete the audit, it should be requested from Data Services.

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.

3200 TAX SHELTER REGISTRATION

Under the Tax Shelter Legislation, taxpayers are required to file with the Franchise Tax Board, Tax Shelter Registrations (Form 8264) and Reportable Transaction Disclosure Statements (Form 8886) as well as Tax Shelter Investor Lists. Information provided includes name of the taxpayer and possibly the name of the tax shelter transaction. Tax year is not always indicated. However, registrations were required for transactions entered into after February 28, 2000.

The Abusive Tax Shelter Unit (ATSU) will be using such information to help identify tax shelter cases. However, if you want to check to see if a taxpayer you are auditing is included on one of these lists, the procedures are listed on the Abusive Tax Shelter (ATS) website at **********. Also, if you are currently auditing a tax shelter case, procedures on how to register your case on the disclosure spreadsheets is also listed on the ATS website.

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.