

Transcript for PIT RIN Webinar

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Good morning and welcome to today's webinar.

I am Michael Eddington. And with me today is Natalie Brown our subject matter expert.

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Before we get started, I want to take a moment to explain how the control panel on your screen works. In the upper right corner of your screen, you should see a tab. Just click on the arrow on the tab to expand out your control panel.

This slide shows an image of a control panel that is similar to the one on your screen. On it are the various parts of the control panel and their function. Please use it as a reference to guide your use of the control panel during the presentation.

Notice that your control panel has a dial-in number and access code on it. If at any point during the presentation you lose our signal, or if you can't hear the audio, please call the number listed on your screen to hear this webinar over the phone.

At the bottom of your control panel, there's a place for you to type in questions. Please feel free to type in your questions at any time during the webinar. I'll do my best to answer those questions at the end of the presentation or respond back to you directly as soon as possible after the webinar.

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Our next webinar will be held on August 6 just in time for the mini filing season. During this webinar, we will go over the dos and don'ts of filing a business entity return. We will provide you with quick and easy tips on filing BE returns and how to handle BE related filing issues.

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In today's webinar, we will be covering for individual returns:

- What is a Return Information Notice or RIN?
- Why does FTB issue them
- Top reasons RINS are issued and
- How to avoid common errors that generate a RIN

At the end of the webinar, we will be answering your questions.

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When you call us about your client's account, our phone agent will ask you several questions to insure that we have the ability to talk to you on the taxpayer's behalf. To answer these questions you will need one of the following:

- ❖ A copy of the notice you are calling about
- ❖ A copy of a prior year return
- ❖ A Power of Attorney on file with FTB

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The Franchise Tax Board generates a Return Information Notice or RIN when an error on the return results in an adjustment during processing. A RIN informs the taxpayer of:

- ❖ Adjustments made on their return
- ❖ Application of credits to prior year liabilities
- ❖ Unclaimed credits on their account

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- ❖ Differences between estimated tax payments claimed on the return and payments on the taxpayer's account
- ❖ Differences between withholding credits claimed on the return and withholding credits reported to us by EDD & other sources.

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We issue a RIN when we discover a math error during the initial process of a personal income tax return. We send RINs to the taxpayer when their return is finished processing and we update our system. The adjustments may increase, reduce or disallow an overpayment, or create an additional balance due on the account.

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When we make changes to a refund return, the State Controller's Office issues a one page RIN known as a Notice of Personal Income Tax Computation Change. The taxpayer's refund is attached to the top of the RIN.

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Each RIN issued by FTB, includes one or more paragraph codes that corresponds to changes made on the return. The RIN also includes a paragraph explaining the reason for adjustment.

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The Refund RIN sent by the State Controller's Office includes the paragraph codes, but do not include the explanatory paragraph. FTB 1020, Explanatory Paragraphs of Income Tax Change is enclosed with the Refund RIN to explain the changes made to the taxpayer's account.

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When a RIN results in additional balance due, the taxpayer has 15 days from the date of the RIN to pay without incurring penalties and interest.

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Now the top 10 reasons why we issue RINS.

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1. Payments do not match payments received
2. Incorrect standard or itemized deduction
3. Withholding claimed different than amount shown on W-2 or other wage document
4. Original refund received does not match amount shown on amended return

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5. Form 540NR - Incorrect California taxable income amount due to incorrectly computed standard deduction
6. Incorrect total tax amount based on incorrect total exemption amount
7. Incorrect total tax amount computed affecting applicable schedules

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8. Incorrect total tax computed based on filing status, dependents, or AGI
9. Incorrect adjusted gross income
10. Incorrect total tax amount based on error calculating total tax, or credits

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Just say no to RINS.

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Reason No. 1: Payments Don't Match

The easy solution to No. 1 is before starting the return go to MyFTB Account to verify your or your client's estimated tax payments. Check last year's return to verify amount requested to be applied to current year's estimated tax is correct. **Important:** Corrections made to last year's state tax return can affect the estimated tax amount applied to next year's return.

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Why should you register for MyFTB Account?

With MyFTB Account for Individuals:

- ❖ You can use Web Pay to make online payments

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You and your authorized tax representatives can:

- ❖ View an account summary, and tax year detail, for all tax years we have on file.
- ❖ Update your mailing address and phone number. However, Tax Professionals cannot update their clients' information.
- ❖ Verify estimated tax payments before filing your return.
- ❖ View recent payments applied to your account.
- ❖ Look up your California wage and withholding information and FTB-issued 1099-G and 1099-INT records.

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Reason No. 2: Incorrect Standard or Itemized Deduction

- ❖ **Easy Solution:** Double check your math and review your return.
- ❖ Standard Deduction Amount – Use the amount shown on Line 18 or see the Line 18 instructions.
- ❖ Itemized Deductions – Use the worksheet in the 540/540A/540NR booklet to compute your California itemized deductions.

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Reason No. 3: Withholding Claimed Doesn't Match Your W-2

- ❖ **Easy Solution:** Go to MyFTB Account to verify the amount on your or your client's
 - ❖ California wage and withholding information
 - ❖ FTB-issued 1099-G and 1099-INT records.

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Reason No. 4: Your Original Refund Received Doesn't Match the Amount Entered on the Amended Return

- ❖ If refund was adjusted after original return was filed, use adjusted refund amount on amended return.
- ❖ Compare your original refund amount on:
 - ❖ Form 5402EZ, Line 28
 - ❖ Form 540/540A, Line 115
 - ❖ Form 540NR, Line 125To the amount, you entered on amended return.

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Reason No. 5: Form 540NR – Incorrect California Taxable Income Tax Amount

- ❖ On Form 540NR Long Form:
 - ❖ Check your math on Schedule CA (540NR)
 - ❖ Check to make sure that you transferred the correct amount from Sch. CA (540NR), Line 49 to Form 540NR, Line 35

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540NR Short form– Incorrect California Taxable Income Due to Incorrectly Computed Standard Deduction

- ❖ On Form 540NR Short Form:
 - ❖ Check your math for Line 33, *CA Standard Deduction Percentage*.
 - ❖ Check your math for Line 34, *CA Prorated Standard Deduction*

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Reason No. 6 – Incorrect Total Tax Amount Because the Personal Exemption Credit Was Incorrectly Computed

On Form 540A and Form 540:

- ❖ Make sure that you have correctly computed Line 11.
- ❖ Make sure that you transferred the correct amount from Line 11 to Line 32

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Here is an example on how this would look.

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Form 540NR (Short & Long Form)

- ❖ Make sure that you have correctly computed Line 11.
- ❖ Check your math on Line 39, *CA Prorated Exemption Credits*

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Here is an example.

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If the federal AGI is over the amounts listed below

- ❖ Did you complete the AGI Limitation Worksheet?

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Here is an example of the worksheet.

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If the taxpayer did not complete the worksheet then:

- ❖ Complete the worksheet.
- ❖ Double check your math.
- ❖ Make sure that you transferred the correct amount from the worksheet to the form.

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Incorrect Total Tax Amount Because the Personal Exemption Credit Was Incorrectly computed

- ❖ If the worksheet was completed, then:
 - ❖ Double check your math.
 - ❖ Make sure that you transferred the correct amount from the worksheet to the form.

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To Avoid Reasons No. 7 – 10

Double Check Your Work!

- ❖ Double check your math on any schedule or worksheet you completed.
- ❖ Double check the amounts you are transferring from various schedules and worksheets to the return.
- ❖ Double check your math on the return.

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We offer the following online tools for your convenience:

- ❖ MyFTB Account
- ❖ Web Pay and
- ❖ Live Chat for general tax and collection questions

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Now it is time for questions. Please submit your questions through the "Ask Question" window on your Go To Meeting Dashboard. Depending on the volume of questions received, we may present a series of standard questions and answers. If we cannot answer all of your questions within our allotted time period, we will email you the answer. Now I am turning the webinar over to Natalie to answer your questions.

Hello, allow me to introduce myself. My name is Natalie Brown your subject expert. It looks like we have a few questions here to answer. Just give me just a moment to look at them. Let's start with the first one.

1. Does Franchise Tax Board send anything with the Return Information Notice to help explain the adjustment?

Yes, Franchise Tax Board will include FTB 1020, which explains each paragraph code that is assigned and what to do to resolve the error if you agree or disagree.

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Here is another question.

2. Return Information Notice is resulting in a balance due however, I do agree with the change. Will I have to pay any penalties or interest?

The short answer is possibly. If you pay the additional balance due within 15 days from the date on the Return Information Notice, you will not receive any penalties or interest. If you do not pay the additional balance due within the 15 days, you will have additional penalties and interest. With this in mind, the effective date of the payment is usually the date we received the payment, or the date the payment is taken to a field office.

I see another question came in.

3. Where do the figures on the Return Information Notice come from?

Well, all the figures on the Return Information Notice come from the processed return. If you look at your return and the Return Information Notice the figures should match or help show you where the error may have occurred.

Here is another question.

4. Why would I get a RIN when I put the withholding amount listed on the W-2 and pay stub?

Since withholding is reported quarterly, sometimes if you file early in the year Franchise Tax Board has not received the information for the 4th quarter. When you reply to the RIN, you will need to supply the W-2 and paystub for the year in question. We will then verify the withholding and make any necessary changes.

Here is another question.

5. Can you give us some additional helpful tips: (of course I can)

- Always review the RIN notice as well as the accepted return to verify the changes
- Feel free to call Franchise Tax Board if you need additional explanation or do not agree with the changes.
- If you are a tax preparer, such as CPAs, Public Accountant (PAs), Enrolled Agent (EAs), tax attorney, or tax practitioner you are welcome to call Tax Practitioner's Helpline Unit at 916.845.7057. Again, that was 916.845.7057. This number is **not** for the general public.
- So, otherwise you can call The Taxpayer Services Center Section at 1.800.852.5711. Again, that was 1.800.852.5711.
- Before calling ensure you have all the information needed to complete security and disclosure such as, the social security number, full name, and address. If you are not the taxpayer you will need the notice in hand, filed tax return or a power of attorney on file before anything can be disclosed.
- I would also register for MyFTB account so compare the information we have for example payments, withholding, and year details. This will help with preparing the return and reviewing any changes that were made.

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We have another question.

6. If you have a copy of the notice, do you still need a POA? The slide [Slide 5] said you needed one of the following?

No, you do not need a power of attorney if you have a notice in hand. The slide was referring to one of the following. You could either have the power of attorney, note on file or you can have a notice in hand for us to be able to discuss the account.

This is the last question.

7. Are we going to be able to print a copy of the webinar?

The webinars on demand and Michael will talk about this next.

Thank you.

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Thank you, Natalie. If you would like to view this webinar or prior ones, please go to our website and click on "News & Events." Webinars is the third item listed on the navigation bar.

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This ends our RIN webinar. Today's goal was to highlight the top reasons we send out RINs and the ways you can prevent getting a RIN. We hope you found this webinar interesting and helpful. On behalf of the California Franchise Tax Board, thank you for attending today's webinar.