



State of California
Franchise Tax Board

12.21.2007

Gina Rodriquez
Spidell Publishing, Inc.

Dear Gina:

Thank you for your presentation at the Taxpayers' Bill of Rights Hearing held on 11.28.2007. I am responding to the issues you raised at the hearing.

Conformity

You expressed the need for specific, stand-alone conformity legislation regarding both the dependency exemption rules for noncustodial parents and the early-withdrawal tax on premature distributions from qualified retirement plans imposed on certain reservists and public safety officers. We agree that these are important conformity issues—along with many others. Franchise Tax Board staff will continue working with the legislature and all of the interested parties to pass conformity legislation in 2008 in the context of a general date-change conformity bill. As you know, AB 1561 (Calderon), the FTB sponsored date-change bill, is still pending in the Senate Revenue and Taxation Committee. Accordingly, we may need to defer to Mr. Calderon's decisions regarding strategy for conformity legislation—including decisions on single-issue conformity bills—during the upcoming legislative year.

Estimated Tax Penalty

You expressed a need to increase the \$200 statutory threshold for assessing the estimated tax penalty because you believe that a large number of penalty notices are issued for insignificant penalty amounts, which is a burden for tax preparers.

As you requested, we will research the department costs to issue the estimated tax penalty notices and related workload costs. We expect to have the analysis by 02.01.2008. If we determine that a law change is justified, we will prepare a Taxpayer's Bill of Rights legislative proposal to address the issue.

Return Information Notice

You expressed a need to change our policy on the timing of issuing Return Information Notices. The change you proposed would help to ensure that a taxpayer who filed electronically but sent in a paper check to pay their balance due no longer receive a notice that does not include the payment. You suggested that we adopt the federal policy of waiting until all payments have been posted before releasing any notices.

As you requested, we are evaluating the impact of this change and expect to have that analysis completed by 02.01.2008.

Sincerely,

Selvi Stanislaus
Executive Officer

cc: Hon. John Chiang, Chair
Hon. Betty T. Yee, Member
Hon. Michael C. Genest, Member