



chair **John Chiang**
member **Jerome E. Horton**
member **Ana J. Matosantos**

State of California
Franchise Tax Board

02.11.13

Raven Deerwater
California Society of Enrolled Agents
3200 Ramos Circle
Sacramento, CA 95827-2513

Dear Ms. Deerwater,

Thank you for your proposals submitted for the Taxpayers' Bill of Rights Hearing as presented by Vicki Mulak. I am responding to the proposals.

Combining Secretary of State Statement of Information Filings

While FTB staff is available to provide technical assistance to the Secretary of State (SOS) or to any legislator in drafting this proposal, the department is unable to recommend that the FTB sponsor this legislative idea. Because the processing and maintenance of business filings is the responsibility of the SOS, proposed changes in the processing and maintenance of the Statement of Information should originate with the SOS.

I will contact the SOS to share this proposal and offer the department's assistance to consult in drafting a legislative change.

Update on Increase to Lien Filing Threshold to \$5000

FTB continues to balance the effectiveness of liens including the threshold for filing liens with sensitivity to the impact liens have on taxpayers. FTB monitors the number of liens filed annually and continues to pursue efforts to contact taxpayers early in the collection process to educate and encourage them to respond to FTB notices and calls prior to FTB filing a lien. Progress includes:

- Automated calls asking taxpayers to contact FTB for important information regarding their account. (Implemented July 2012)
- Updated lien information on the FTB public website to assist taxpayers with their questions.
- Updated Interactive Voice Response. (Implemented May 2012)
- Proposed pilot program to send pre-lien notices to taxpayers. (Implementation scheduled for summer 2013)

IRS Data Sharing With FTB on CP 2000 Reversals

The IRS does not notify FTB of any changes that have been made to a CP 2000 adjustment after it closed. The IRS position is that the notice the taxpayer receives clearly states the taxpayer is to notify the applicable state tax entity of the federal change. We are working

with the IRS to get information of the adjustments to a CP 2000 adjustment after information is provided to FTB. That information exchange request is pending.

Disaster Treatment Simplification & Improved Timing

The issue of automatic disaster loss treatment has been raised before. AB 1782, introduced in 2010 by Assembly Member Harkey, would have added a general provision to the current list of specified disasters to provide automatic disaster loss treatment for all gubernatorially-declared disasters. The bill failed to pass out of the Assembly Revenue and Taxation Committee. The committee analysis stated that although the bill would streamline the process for providing tax relief to disaster-stricken areas, it would eliminate Legislative discretion concerning the scope of California relief provided in California-declared disasters. Because the proposal for automatic disaster loss treatment has recently been rejected by an Assembly Policy Committee, the department is unable to sponsor this proposal.

Withhold-at-Source Education & Outreach

We will continue to improve our education and outreach of the withholding requirements for the small business and sole proprietors. In the coming year, we will focus on the following:

1. **Nonresident Withholding Brochure** – We partnered with our Advocate Office to create a new withholding brochure. This brochure provides an overview of California's nonresident and back-up withholding requirements. This brochure will be in production in February 2013. We will translate the brochure into Spanish to reach out to the non-English speaking stakeholders. Our Advocate Office will assist us by distributing the brochure at the outreach events with the small business owners.
2. **Withholding YouTube Videos** – We released our first nonresident withholding YouTube video last year. We plan to create two more YouTube videos this year on withholding topics.
3. **New Webinars** – We continue to enhance our webinars to include examples that will help clarify the withholding requirements. We plan to develop three to four mini webinars this year and are currently working on the following topics:
 - 1) Form 590 – Withholding Exemption Certificate
 - 2) Form 588 – Nonresident Withholding Waiver Request
4. **News Articles/Public Services Bulletins** – We plan to release four to six articles on various withholding topics this year.
5. **Speaking Engagements:** We continue to engage with the small business community through speaking engagements to promote compliance on withholding requirements. We plan to provide presentations to the following groups:
 - 1) **The East Bay Chapter of CPA Society** – We will provide an overview of the nonresident withholding requirements to the local CPAs. Our goal is that they will help us educate their clients (small business owners) on withholding requirements.

- 2) **Escrow Institute of California (EIC)** - This is an association for independent small escrow owners.
- 3) **National Association of Resident Property Managers (NARPM)** – Members of NARPM are property managers/real estate professionals managing single-family and small residential properties.
- 4) **The California Escrow Association**
We will also continue to partner with our Advocate to incorporate withholding information in small business conferences and events attended by the Advocate staff.

Financial Institution Record Match Collection Identification Errors

FTB is sensitive to this issue and has existing procedures in place to proactively resolve any instances of taxpayer misidentification resulting in erroneous bank levies for our tax and non-tax programs. If a taxpayer believes we issued a bank garnishment in error, we encourage them to contact us as soon as possible so we can assist them and resolve the error. FTB has dedicated priority phone lines to discuss bank levies with taxpayers in the event a financial hardship exists or for any other reason. If we issued a bank garnishment in error, we will delay the bank garnishment; confirm the error; and immediately mail and fax a garnishment release notice to the bank. For instances where the bank garnishment was issued in error and the payment was already sent to us, we refund the payment and reimburse bank charges or fees.

Sincerely,

Steve Sims, EA
Taxpayers' Rights Advocate

cc: Hon. John Chiang, Chair
Hon. Jerome E. Horton, Member
Hon. Ana J. Matosantos, Member