

Federal Tax Adjustments and Your Notification Responsibilities to California

This Publication applies to federal determinations that became final on or after January 1, 2000.

Introduction

Individual Taxpayers

You are required to notify us if the Internal Revenue Service (IRS) examines your federal tax return and makes adjustments that increase your tax for any year.

If the IRS examination decreases tax for any year, refer to **Notification Requirements** under the caption “**If federal changes decrease your income or increase tax credits.**”

Corporate Taxpayers

Your entity must report all changes or corrections to gross income, deductions, or tax credits even if the changes or corrections do not result in an increase in tax payable to California for any year.

If the IRS examination decreases tax for any year, refer to Notification Requirements under the caption “**If federal changes decrease your income or increase tax credits.**”

Exempt Organizations

Your entity must report changes or corrections including adjustments in filing requirements or revocation of exempt status.

Partnership and Limited Liability Company Classified as a Partnership

A partnership or limited liability company (LLC) classified as a partnership must report each change or correction to any item required to be shown on a federal partnership return made as part of a partnership-level audit by the IRS. The federal change must be reported for the year audited.

Notification Requirements

You are required to notify us if the IRS adjusts or corrects your gross income or deductions. Your notification to us should include any IRS assessed penalties, adjustments or corrections resulting from math errors, tax credit adjustments, other tax adjustments, or supplemental income from an IRS audit. You should also include other tax adjustments even if the IRS did not examine these adjustments.

You are required to notify us within six months of each final federal determination. The final federal determination is the date the IRS examination adjustment is assessed on the account transcript as described in Internal Revenue Code Section 6203. If we receive the federal changes within the six month period, we have two years from the date we receive a report of the federal changes to apply the federal changes to your California tax return. Notification of a change or correction by the taxpayer or IRS must be sufficiently detailed to allow computation of the resulting California tax change.

If you or the IRS notify us more than six months after the date of the final federal determination, we have four years from the date we receive “sufficiently-detailed” information to apply the federal changes to your California return. “Sufficiently-detailed” information is defined as enough information to allow us to compute the resulting California tax change.

If We Are Not Notified By Either You Or The IRS

If you or the IRS does not provide us timely notification of your federal changes, the statute of limitations for assessment by the Franchise Tax Board remains open and we may issue an assessment at any time. Interest accrues from the original tax year due date until you fully pay the tax liabilities and penalties.

When you properly notify us, we may be able to resolve your case without the need to request more information. Notification also ensures prompt assessment of any additional tax, which may reduce the amount of interest charged.

If federal changes decrease your income or increase tax credits and result in a California tax refund, you must file a claim for refund if you want to have the overpayment refunded. Your claim must be filed within one of the following, whichever is later:

- The normal statute of limitations.
- One year from the date of overpayment (per R&TC 19306).
- Two years after the final federal determination.

If you are filing a claim for refund on Form 540X, *Amended Individual Income Tax Return*, (for tax years 2016 and prior), or 540 Schedule X, *California Explanation of Amended Return Changes*, (for tax years 2017 and after), or Form 100X, *Amended Corporation Franchise or Income Tax Return*, for a tax year where litigation is pending or where a final determination by the IRS is pending, please do the following:

Individual Taxpayers

Submit a Form 540X or 540 Schedule X with the completed amended Form 540, *California Resident Income Tax Return*, along with all required schedules and supporting forms. Write “PROTECTIVE CLAIM” in blue or black ink at the top of the completed amended Form 540 and Form 540X or 540 Schedule X. You may also file a letter for your protective claim. This will leave the statute of limitations open for a claim for refund.

Corporate Taxpayers

Submit a Form 100X with the completed amended Form 100, *California Corporation Franchise or Income Tax Return*, or Form 100S, *California S Corporation Franchise or Income Tax Return*, along with all required schedules and supporting forms. Write “PROTECTIVE CLAIM” in blue or black ink at the top of the completed amended Form 100 or Form 100S and Form 100X. You may also file a letter for your protective claim. This will leave the statute of limitations open for a claim for refund.

Unexpected results can occur if you do not notify us of a federal examination. This is particularly true in multiple year cases where one year results in an assessment and another year results in an overpayment (i.e., a refund). If all normal statutes of limitations expire, then we can still assess you based on the open-ended statute law.

However, if you do not file a claim for refund within two years of the final federal determination, there is no open statute to allow the overpayment. The overpayment cannot offset against any amounts due and no refund can be issued.

Refer to PAGE 2 for method of notification

Method of Notification

You must notify us in writing of an IRS tax adjustment to your tax return. Specifically, you must do all of the following:

- Tell us that a final federal determination or IRS change has been made.
- Identify the adjusted tax year.
- Fully explain all adjustments.
- Provide federal documentation showing the adjustments made to taxable income.

You should provide us with all of the following:

- A complete copy of the final federal determination or audit report including all schedules (e.g., tax court decisions, settlements, closing agreements).
- Copies of original and revised schedules and forms (e.g., passive activity losses, alternative minimum tax, Schedule A, etc.). Be sure to note state and federal differences.
- A complete copy of the state and federal tax returns, if the adjusted years affect tax years older than three years from the current year.
- A telephone number where you or your representative can be reached and the most convenient hours that we may call if we have any questions.
- A completed FTB 3520 PIT, *Individual or Fiduciary Power of Attorney Declaration*, or FTB 3520 BE, *Business Entity or Group Nonresident Power of Attorney Declaration*, must be on file, if we should contact someone other than you. For more information on how to establish a Power of Attorney relationship, go to ftb.ca.gov and search for **poa**.

Submitting Your Notification

To prevent processing delays after you notify us, be sure the notification information provided is complete. The more information you provide about the federal adjustments, such as the effect on the tax return (including schedules), or the effect on credits and carryovers, the more quickly your case can be resolved

Refer to PAGE 3 for information on where to request a 540X, 540 Schedule X, 100, 100X, or 100S for notification purposes

Individual Taxpayers

Individual taxpayers may provide notification by one of the following methods:

- Send a Form 540X, *Amended Individual Income Tax Return*, (for tax years 2016 and prior), or 540 Schedule X, *California Explanation of Amended Return Changes*, (for tax years 2017 and after), and a completed amended Form 540, *California Resident Income Tax Return* to:

**FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0001**

- Fax a copy of all federal information and changes to: 916.843.2269.
- Send a notification letter with a copy of all federal information and changes to:

**RAR/VOL MS F310
FRANCHISE TAX BOARD
PO BOX 1998
RANCHO CORDOVA CA 95741-1998**

Corporate Taxpayers

Corporate taxpayers may provide notification by one of the following methods:

- Send Form 100X, *Amended Corporation Franchise or Income Tax Return*, and a completed amended Form 100, *California Corporation Franchise or Income Tax Return*, or Form 100S, *California S Corporation Franchise or Income Tax Return*, to:
- Send a notification letter with a copy of all federal information and changes to:

**CORPORATION RAR MS F310
FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0501**

- Fax a copy of all federal information and changes to: 916.843.2269.

Exempt Organizations

Exempt organizations may provide notification by one of the following methods:

- If you are an exempt Homeowners' Association or political organization you should file Form 100X, *Amended Corporation Franchise or Income Tax Return*. All other exempt organizations should file the Form 109, *Exempt Organizations Business Income Tax Return*
- Send a notification letter with a copy of all federal information and changes to:

**EXEMPT RAR MS F120
FRANCHISE TAX BOARD
PO BOX 1286
RANCHO CORDOVA CA 95741-1286**

Partnership and LLC Classified as a Partnership

Provide notification by one of the following methods:

- Partnership: file amended California Form 565, *Partnership Return of Income*.
- LLC classified as a partnership: file amended California Form 568, *Limited Liability Company Return of Income*.
- Send a notification letter with a copy of all federal information and changes to:

**RAR/VOL MS F320
FRANCHISE TAX BOARD
PO BOX 1673
SACRAMENTO CA 95812-1673**

- Fax a copy of all federal information changes to: 916.843.2269

How To Get California Tax Information

Connect With Us

Automated Telephone Service

To answer questions, the automated telephone service is available 24 hours a day, seven days a week. To order forms or to find out about your tax refund, the service is available from 6 a.m. to 10 p.m. seven days a week, except state holidays. Call us to:

- Get recorded answers to many of your questions about California taxes.
- Get balance due and recent payment information.
- Order California or federal tax forms.
- Find out about your tax refund.

This service is available in English and Spanish. Have paper and pencil handy to take notes.

Phone: 800.852.5711 from within the United States
916.845.6500 from outside the United States

Taxpayer Service Center

Our taxpayer Service Center is available to answer your general tax questions.

Web: ftb.ca.gov
Phone: 800.852.5711 from 8 a.m. to 5 p.m. weekdays, except state holidays from within the United States 916.845.6500 from outside the United States

California Relay Service: 711 or 800.735.2929 for persons with hearing or speaking limitations

Volunteer Income Tax Assistance/Tax Counseling for the Elderly and U.S. Armed Forces

At more than 1,500 sites throughout California, trained volunteers provide free assistance to low-income, senior, disabled, or non-English speaking persons who need to file simple federal and state income tax returns. Many military bases also provide this service for members of the U.S. armed forces. Call the Franchise Tax Board at 800.852.5711 to find the volunteer assistance location nearest you or go to ftb.ca.gov and search for **VITA**.

Letters

We can serve you quickly if you call us for information to complete your California income tax return or to find out about your tax refund.

However, you may want to write to us if you are replying to a notice that we sent you or to get a written reply. If you write to us, be sure to include your account number, your daytime and evening telephone numbers, and a copy of the notice with your letter. Send your letter to:

**FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0040**

We will acknowledge receipt of your letter within six to eight weeks. In some cases, we may need to call you for additional information.

Where To Get California Income Tax Forms

Web: ftb.ca.gov
Phone: 800.338.0505
Mail: **TAX FORMS REQUEST UNIT MS D120
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307**

Please allow two weeks for us to receive your order.

In person: Most libraries, post offices and banks also provide free California tax booklets during the filing season. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee). Note that employees at libraries, post offices, banks, and quick print businesses cannot provide tax information or assistance.

Rights As A Taxpayer

The California Taxpayers' Bill of Rights requires that we adequately protect the rights, privacy, and property of all California taxpayers during the process of assessing and collecting taxes. One of our goals is to make certain we protect your rights. We want you to have the highest confidence in the integrity, efficiency, and fairness of our state tax system. (Revenue and Taxation Code [R&TC] Sections 21001-21028.)

FTB 4058C, *California Taxpayers' Bill of Rights, an Overview*, includes information about state taxpayers' rights. To get FTB 4058C, go to ftb.ca.gov and search for **4058C**, call: 800.338.0505 (enter form code **944** when instructed), or mail: Tax Forms Request MS D120, Franchise Tax Board, PO Box 307, Rancho Cordova CA 95741-0307.

Taxpayers' Rights Advocate Assistance and Review

You may contact the Taxpayers' Rights Advocate if you have an ongoing state income tax problem that you have been unable to resolve through normal channels. However, contacting the Taxpayers' Rights Advocate is not a protest or an appeal and does not extend the period of time for filing one.

You have the right to an independent departmental administrative review of specific collection actions that may be taken by FTB. To request an administrative review of the filing or recording of a tax lien, the request must be made within 30 days of the date of the tax lien notice. Unless you received a jeopardy assessment, you have the right to request an administrative review before a levy (including, for example, a wage garnishment). The request must be made within 30 days of the date of the Final Notice Before Levy of your income or assets. You also have a right to an administrative review of a rejection of your request for an installment agreement, or a termination of an existing installment agreement. We generally may not levy your property during the 30-day period after rejection or termination and, if you file a request for administrative review within 30 days of the rejection or termination, during a review of that rejection or termination. (R&TC Sections 19008, 19225, and 21015.5.)

You may contact Executive and Advocate Services for additional information or to submit your request for review.

To request an independent administrative review, call: 800.883.5910, fax: 916.843.6022, or mail: Executive and Advocate Services MS A381, PO Box 157, Rancho Cordova CA 95741-0157.