



State Tax Media Host Guide 2010

Franchise Tax Board
Public Affairs Office
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ReadyReturn

CalFile

Introduction

Taxes can be complex and confusing to your broadcast audience. We try to take the hassle out of tax time by offering innovative ways to get tax help and to file via the Internet. We appreciate your help in getting this information to the people in your community who need it.

Frequently Asked Questions

The following questions might assist you in planning your interview. Feel free to use these questions, frequently asked by the public, or choose your own.

Q. What's New This Year?

For 2009 and 2010, a new temporary tax increase law raised tax rates by one quarter of 1 percent and decreased the dependent exemption credit from \$309 to \$98 per dependent.

The new state schedule for quarterly estimated tax payments is as follows:

- 30 percent for the first quarter.
- 40 percent for the second quarter.
- Zero for the third quarter.
- 30 percent for the fourth quarter.

Who does this apply to? This schedule generally applies to taxpayers who do not pay through withholding and need to make estimated tax payments.

New jobs tax credit – For 2009, qualified employers can claim a \$3,000 tax credit for each additional qualified full-time employee they hired. Qualified taxpayers need to

act fast as the funding is limited to \$400 million.

Employers must claim the credit on a timely filed original return received by the last day of the calendar quarter within which FTB estimates that the allocated credit amount will reach the \$400 million limit. This credit is not subject to the 50 percent limitation for business credits.

An employer qualifies for the credit if both of the following apply:

- It employed a total of 20 or fewer employees on the last day of the preceding taxable year (for calendar year taxpayers this would be December 31, 2008).
- It has a net increase in qualified California full-time employees compared to the number of full-time employees it employed in the preceding taxable year.

Effective for 2009, federal law provides that nonresident civilian spouses of military personnel who are in California only because of their spouses' military orders, are exempt from state income tax on their "service

income” earnings such as wages, commissions, or other personal service income. To qualify, civilian spouses must have the same “domicile” as their military spouses. The place you consider your true home and where you intend to return to make your permanent home is generally considered your domicile.

Taxpayers with taxable income of more than \$500,000 must limit their business tax credits to 50 percent of the net tax for 2008 and 2009. Be sure to review our tax form instructions for specific details.

We remind you that taxpayers can contribute to any of 15 charitable funds featured on the tax form. Contributions reduce your refund or increase taxes you owe. Taxpayers who contribute can take a charitable contribution deduction on next year’s return if they itemize their deductions.

Q. Who Has to File?

Surprisingly, not everyone has to file. Each year we get thousands of tax returns from people who have no filing requirements. We base our filing requirements on income amounts and exemption credits. For 2009, you will not have to file if:

- You are single or head of household and your total income was less than **\$14,622**.
- You are married or a registered domestic partner and your total combined income was less than **\$29,245**.

These income threshold amounts are higher if you have dependent or senior exemptions. Also, the rules differ if you can be claimed as a dependent on someone else’s return.

Keep in mind that if you had withholding taken from your pay or you made estimated tax payments, you must file a tax return to get your refund.

Q. What is *ReadyReturn*?

ReadyReturn is our free direct-to-government filing option that provides a completed state income tax return to taxpayers who file simple returns. You will need to review the completed *ReadyReturn* and make any necessary changes before you file.

ReadyReturn is based on a simple premise: we use information we already have from you and your employers, such as W-2 information and last year’s tax return, to provide you with a completed tax return. You benefit because we do most of the work.

You are eligible if last year you filed as single or head of household, earned wages from one employer, and took the standard deduction. You are still eligible if you claimed up to five dependents, claimed the nonrefundable renter’s credit, or have been claimed as a dependent on another person’s return – typically college students.

We estimate that nearly 2 million California taxpayers qualify to use *ReadyReturn*. To see if we have a *ReadyReturn* waiting for you, go to **ftb.ca.gov** and search for **ReadyReturn**.

Q. What is *CalFile*?

Available to more than 6.5 million taxpayers, *CalFile* is our free direct-to-government filing option that allows you to complete and e-file your state income tax return.

CalFile accepts income up to \$321,483, itemized deductions, and tax credits such as the nonrefundable renter’s credit and the child and dependent care expenses credit.

To see if you qualify to use *CalFile*, go to **ftb.ca.gov** and search for **CalFile**.

Q. Why e-file?

- You’ll get a quick refund, normally within seven days, if you choose direct deposit. If you mail your return in January or February, you’ll generally get your refund in a couple of weeks. However, if you wait until late March or April, expect to wait 6-8 weeks for your refund.
- It’s safe, accurate, and fast. e-file returns have fewer errors, which means you’re less likely to hear from us later.
- You’ll know we got it. FTB sends a confirmation almost immediately when we receive your tax return.
- It’s free to use *CalFile* or *ReadyReturn*. And, some commercial software companies offer free e-file for selected customers.

It also reduces the cost of government.

Besides *CalFile*, there are many e-file software packages available to help ease the tax filing process. The programs walk you through a virtual tax interview and prompt you to take advantage of relevant tax credits. Our website provides links to many software vendors. You can e-file from your home computer or through a professional tax preparer.

Q. Does FTB Split Refunds?

Yes. Taxpayers can request that we electronically deposit their refunds into more than one account. The purpose of allowing you to split your refund is to encourage you to save at least some of your refund money. Refunds can be split into two accounts such as:

- Checking
- Savings
- IRA
- Money Market

Taxpayers should make sure their financial institutions accept deposits into certain accounts.

Q. What Other Services are Available at ftb.ca.gov?

You can do many tax chores online:

- Get your refund status.
- Check MyFTB Account for your wage and withholding data, plus your balance due or payments made—great for estimate paying taxpayers.
- Use Web Pay to make payments via your bank account.
- Use your credit card to make payments.
- Apply for payment plans.
- Email your tax questions.
- Calculate your taxes.
- Respond to a Head of Household questionnaire.
- Find answers to tax questions.
- Report tax fraud.

Q. What is the Tax Gap?

The tax gap is the difference between taxes owed and paid. It continues to receive a lot of attention at both the state and federal levels. We estimate it costs California \$6.5 billion a year in lost tax revenue. Economists estimate that honest taxpayers pay nearly 15 to 20 percent more in taxes each year because of taxpayers who fail to pay what they owe.

Most of the tax gap comes from people and businesses that underreport their income or overstate their deductions.

You can now help solve the tax gap by reporting suspected tax fraud. Go to ftb.ca.gov and search for **Report Tax Fraud** or call 800.540.3453.

To encourage people to pay what they owe, we publish an annual list of the largest 250 tax debtors who owe \$100,000 or more. This list is updated each spring.

We are also concentrating on conducting criminal investigations and prosecutions of tax evasion, fraud, and employee misconduct to encourage compliance and maintain the public's trust. Approximately 98 percent of our criminal prosecutions resulted in convictions and included sentences to prison, jail, or probation.

Q. If I Want to Prepare My Own Tax Return, How Do I Start?

For many people, it's not that hard. Some points to keep in mind are:

- Gather the needed documents to prepare your state tax return, such as W-2s and 1099s to report your income. If you have tax deductions, gather those documents as well, such as property tax payment records, mortgage interest expense, charitable contributions, etc.
- Complete your federal tax return first. That's because the California tax return starts with your federal adjusted gross income.

Follow the instructions on the California tax return. To arrive at California taxable income, you start with your federal adjusted gross income and then make adjustments for differences between federal and state law.

If you don't know, don't guess. Contact us for answers to your tax questions.

Q. Where Can I Get Tax Help?

Internet and Telephone Assistance

Website: ftb.ca.gov

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

TTY/TDD: 800.822.6268 for persons with hearing or speech impairments

We are ready to answer your questions from 8 a.m. to 5 p.m. weekdays, except state holidays.

Our automated telephone line is 800.338.0505.

Field Offices

If you want to see us in person, visit one of our six field offices located throughout California. Our office hours are 8 a.m. to 4 p.m. weekdays. We offer walk-in service in Los Angeles, Oakland, Sacramento, San Diego, San Francisco, and Santa Ana.

Volunteer Income Tax Assistance

We also have free help available through the Volunteer Income Tax Assistance and Tax Counseling for the Elderly Programs.

These programs are staffed with trained volunteers at more than 1,000 sites throughout California. Our volunteers provide free help completing tax forms for low-income, senior, disabled, and non-English speaking persons who need to file simple federal and state tax returns.

Starting February 1 through April 15, you can search for the location closest to you online at ftb.ca.gov by zip code, city, or county.

Many military bases also provide this service for the U.S. Armed Forces. Go to ftb.ca.gov or call us to find a location nearest you.

Q. What if I Want to Use a Tax Return Preparer?

If you decide to use an income tax preparer, you may want to read FTB 982 - *How to Select an Income Tax Return Preparer*. It offers tips from IRS and us about selecting someone you can trust. Remember, it is you, the taxpayer, who is responsible for the correctness of your tax return information.

Q. What Tax Credits are Available to Reduce My Tax Bill?

We have several credits that many people can use to lower their taxes.

Personal Exemption Credit

This year's credit totals \$98 per person and \$196 for married couples and registered domestic partners. Seniors who are 65 years or older and blind individuals receive double the individual amount.

Dependent Exemption Credit

Families can reduce their tax bill by \$98 for each dependent.

Renter's Credit

Single renters can claim a \$60 credit if their adjusted gross income is \$34,412 or less. Married couples, registered domestic partners, or head of household filers can claim \$120 if their adjusted gross income is \$68,824 or less.

Child and Dependent Care Expenses Credit

For individuals who pay for child or dependent care so they can seek or maintain employment, this credit provides up to \$1,050.

Federal Earned Income Tax Credit

This is a federal incentive for low-income individuals and families. Taxpayers earning less than \$43,279 can qualify for a "refundable" credit that can total up to \$5,657.

Refundable means that you do not have to have a tax liability to get a refund check from the government. If you think you might qualify, go to [irs.gov](https://www.irs.gov) and search for **EITC Assistant**. California has no comparable state credit.

Q. What Are the Common Errors and How Do I Avoid Them?

The most common errors are claiming the wrong estimated tax payments, followed by taking the wrong amount for either the standard or itemized deductions, and selecting the wrong amount of tax from the tax table on paper returns. To avoid these errors, we suggest you:

- Go to ftb.ca.gov and select MyFTB Account to verify the amounts we have on record for your estimated tax payments, wage and withholding information, and your current balance due.
- Accurately add and transfer your total deductions to the correct line of the tax return.
- Double-check that you look up the correct amount of tax from the correct tax table.

Q. What Should I Do if I Find I Can't File by April 15?

No problem. All taxpayers get an automatic six-month filing extension to October 15. The extension is only for filing the return and not for payment of any taxes that may be due. Be sure to pay by April 15 to avoid penalties and interest.

Q. What if I Owe and Can't Pay?

First, always file on time and pay as much as you can with the return. This will save you money in penalties and interest. We realize that unforeseen events occur that prevent you from paying your taxes on time.

If you have a financial hardship and can't pay your taxes in full, you can generally arrange to make monthly installment payments if you owe \$25,000 or less and can repay it within five years.

You can apply online or by mail. Go to ftb.ca.gov and search for **installment agreement**. We can approve most requests within a few days.

Website: ftb.ca.gov

Telephone: 800.689.4776, between 8 a.m. and 5 p.m. weekdays, except state holidays

Fax: 916.845.0993

Mail:

FRANCHISE TAX BOARD

PO BOX 2952

SACRAMENTO, CA 95812-2952

You may also want to consider paying by credit card.

You can use your Discover/NOVUS, MasterCard, Visa, or American Express Card to pay online or by telephone:

Website: officialpayments.com

Telephone: 800.272.9829

Keep in mind that service providers will charge you a convenience fee for this service based on the amount charged.

Q. What if I Made an Error on My Return, Forgot to Claim a Deduction, or Received a Late W-2?

You can correct your California tax return by filing Form 540X, *Amended Individual Income Tax Return*. Amended returns do take longer to process than original returns.

For simple math errors or missing documents, you generally do not need to file an amended return, as we typically correct math errors when we process the return. We will contact you about any missing documents.

Q. What Should I Do if I Changed My Address During the Year?

Notify us immediately! Either write to us or call, but be sure we have your current address, even if you leave the state. You can use Form 3533, *Change of Address*, to send us your new mailing address.

Each year millions of dollars in refund checks are returned to us as undeliverable by the U.S. Post Office. This is

generally because taxpayers moved between the time they filed their taxes and the refunds were mailed. Refund checks are not forwarded by the Post Office.

Q. Why Do I Have to File Separate Federal and California Returns?

Federal tax laws differ from California tax laws, which is why you need to file separate tax returns for each government agency. To make it as easy as possible, California's return starts with federal adjusted gross income and then makes adjustments for state differences.

Q. What Form Do I File if I Moved into or out of California?

You need to complete a nonresident or part-year resident return for the year you moved.

Nonresidents and part-year residents can use Form 540NR, *California Nonresident or Part-Year Resident Income Tax Return*, long or short form. The short form is for those whose income is made up mostly from wages.

Depending on the laws of the state that you moved to or from, you may have to file a return for that state too. If you are reporting the same income to two states, California has agreements with nearly all the states to allow a credit for the tax paid when the same income is taxed by both states.

Q. When or Why Does FTB Do Audits?

We select returns for audit to verify the correctness of income, exemptions, credits, and deductions. Most returns are computer selected based on the information reported on the return and information we receive from third parties.

Q. What Do I Need to Do if IRS Audited Me?

Once your IRS audit is done, you should let us know within six months. You have the option of filing an amended tax return or sending us a copy of the federal changes. We eventually receive federal audit information, but notifying us as quickly as possible will save you money in interest and penalties.

For more information, refer to FTB 1008, *Federal Tax Adjustments and Your Notification Responsibilities to California*.

Website: ftb.ca.gov
Telephone: 916.845.4028
Fax: 916.843.2269

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

Q. What If I Receive Mail from FTB?

Most notices you receive from us are to inform you of changes we made. You do not need to do anything. However, if we are asking for information, be sure to respond.

Information notices include:

- *Notice of Tax Change*
- *Return Information Notice*

We send these notices after we find and correct one or more errors while processing your tax return.

Q. What is Use Tax and How Do I Know if I Owe it?

California residents are required to pay California use tax on purchases made from out-of-state sellers, such as by telephone, over the Internet, by mail, or in person if:

- The seller does not collect California sales or use tax.
- You use, give away, store, or consume the item in California.

To get more information about use tax, go to boe.ca.gov.

Q. What Can I Do if I Think FTB is Unreasonable?

Contact us. We equip our employees to help you with your problems. If you feel that you are unable to resolve your problem through normal channels, we have a Taxpayers' Rights Advocate. You can contact the advocate's office by:

Website: ftb.ca.gov
Telephone: 800.883.5910
Fax: 916.843.6022

Mail: EXECUTIVE LIAISON SECTION MS A381
PO BOX 157
RANCHO CORDOVA CA 95741-0157

Q. Any Last Minute Thoughts You Want to Leave With Us Today?

ReadyReturn—Your tax return may already be done! Go to ftb.ca.gov and search for **ReadyReturn** to see if we have one waiting for you.

e-file and use direct deposit to get your tax refund fast—generally within seven days. FTB's *ReadyReturn* and *CalFile* are no-cost, easy-to-use filing options.

If you owe tax, consider using Web Pay, which allows you to authorize a payment from your bank account on a specific date to satisfy a return balance due or extension payment. Pay on or before April 15 to avoid penalties and interest.

After you file, be sure to keep a copy of your tax return and all supporting records. We may request information from you regarding your tax return at any time within the California statute of limitations period, which is generally four years from the due date of the return.

Tax Trivia: Did You Know?

Last year, Californians filed more than 15 million tax returns annually and contributed nearly \$50 billion toward the state's general fund.

Last year 10 million Californians received refunds averaging \$970.

The most common tax error is claiming the wrong amount of estimated tax payments.

Last year 11 million California returns, or about 70 percent of the total, were filed electronically.

FTB was established in 1929 to administer the new Bank and Corporation Franchise Tax Act. The first year California taxpayers had to file a state tax return was 1935.

Website: ftb.ca.gov

- e-file your tax return for free using ReadyReturn, CalFile or other participating online filing services.
- Check your refund status.
- Check your account status for payments made or a balance due.
- Choose a payment option, including Web Pay.
- Apply for an installment payment plan.
- Request an email reminder to file or to make estimated tax payments.
- Find answers to frequently asked questions.
- Get tax forms and publications.
- Research legal rulings, reports, statistics, and much more.

Tax Assistance Telephone Numbers

Automated Telephone Service: 800.338.0505

Taxpayers can refer to the back of their tax booklet for instructions on using our automated telephone service.

General Telephone Service: 800.852.5711

If you prefer to speak to someone, call us on our general tax assistance line open from 8 a.m. to 5 p.m. weekdays.

Federal Tax Questions: 800.829.1040

Field Offices

Los Angeles300 S. Spring St.
Oakland1515 Clay St.
Sacramento3321 Power Inn Rd.
San Diego7575 Metropolitan Dr.
San Francisco121 Spear St.
Santa Ana600 W. Santa Ana Blvd.

Field office hours are 8 a.m. to 4 p.m. weekdays.