

Franchise Tax Board At a Glance



Serving the Public Daily

California Franchise Tax Board

At a Glance



History

In 1929, the Legislature created the office of the Franchise Tax Commissioner to administer California's new Bank and Corporation Franchise Tax Act. This was the first agency created for tax administration since the 1879 adoption of the state Constitution. Before that, the State Board of Equalization and the State Controller administered all tax programs.

In 1950, California abolished the office of the Franchise Tax Commissioner and created the Franchise Tax Board that we know today. Board members are the state controller, the director of the Department of Finance, and the chair of the State Board of Equalization. The chief administrative official is the executive officer of the Franchise Tax Board.

Members of the Franchise Tax Board include:

Steve Westly, Chair
John Chiang, Member
Tom Campbell, Member

Background

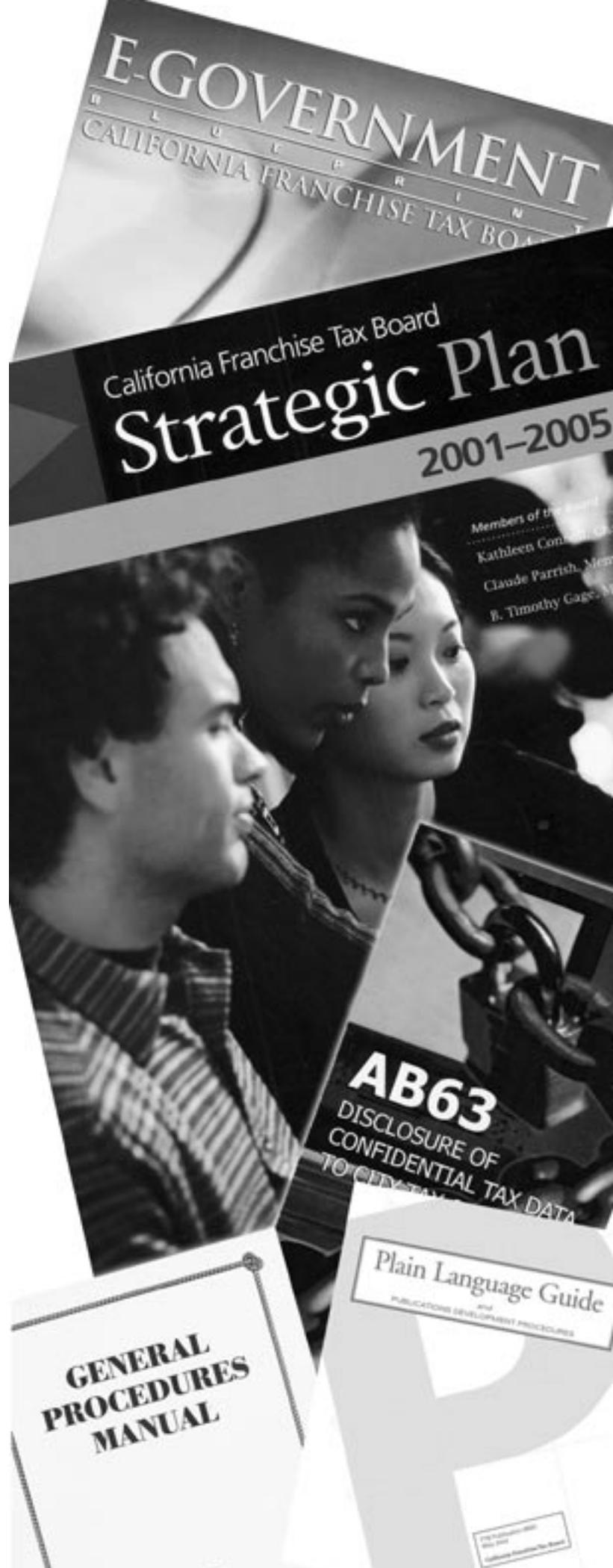
Our main job at the Franchise Tax Board is to administer California's Personal Income and Corporation Tax Laws. Over the years we have also been given added responsibility to administer certain non-tax programs such as the Homeowner and Renter Assistance Program, Political Reform Act audits, and certain non-tax collection programs.

In administering these programs, we assist you in many ways. We offer tax help around-the-clock through our toll-free telephone assistance line and by using the wealth of information on our Website. You can also visit us at one of our six field offices, located throughout the state, during normal business hours. We hope this brochure gives you some history about our department and serves as a guide to the many resources we offer.

Our Mission

The purpose of the Franchise Tax Board is to:

- Collect the proper amount of tax revenue, and operate other programs entrusted to us, at the least cost.
- Serve the public by continually improving the quality of our products and services.
- Perform in a manner warranting the highest degree of public confidence in our integrity, efficiency, and fairness.



Programs

What follows is a brief description of the major programs we administer.

Personal Income Tax

Each year, Californians file more than 14.4 million state personal income tax returns. The Personal Income Tax program generates more than \$36.8 billion each year.

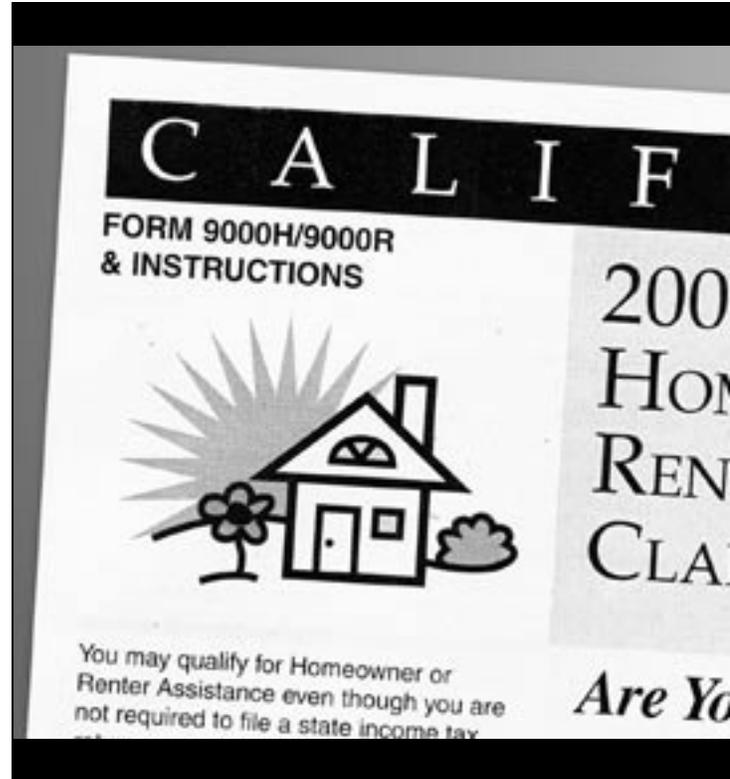
California taxes residents on their income from all sources while nonresidents are taxed on income derived from California sources. The California tax form starts with the federal adjusted income and then provides for adjustments between federal and state tax laws.

Business Tax

Corporations and businesses file more than 1.1 million returns each year, generating more than \$8.0 billion annually. They pay a *franchise tax* for the privilege of doing business in the state. The corporation *income tax* is imposed on businesses that, while not doing business in this state, receive income from sources in this state. Combined, the tax programs comprise 60.5 percent of the state's general fund.

California follows the unitary method of taxation for businesses that receive income from both within and outside of California. If two or more corporations are engaged in a unitary business and derive income from sources within and outside of California, the members of the unitary group that are subject to California's franchise or income tax must apportion the combined income of the entire unitary group to compute their tax.

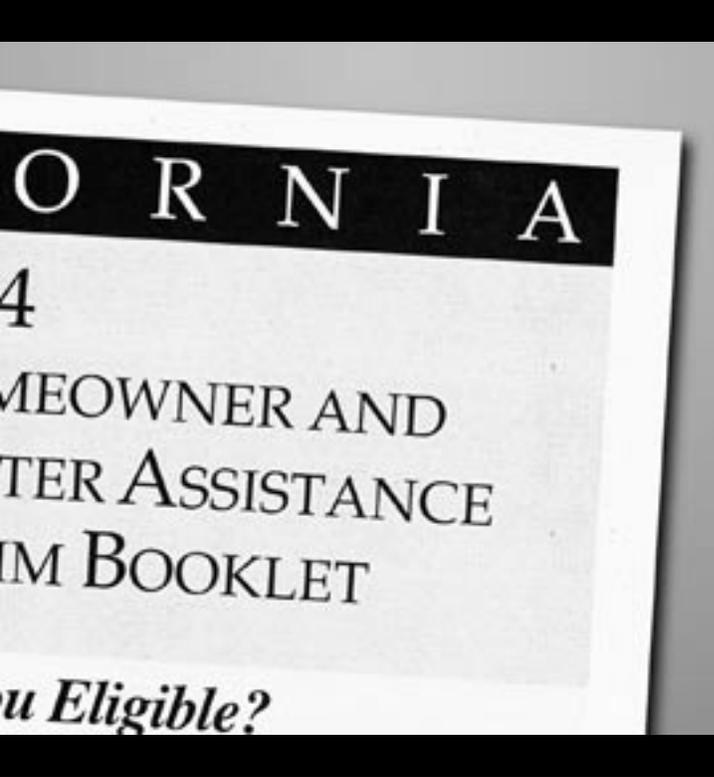
Combined, the tax programs comprise 60.5 percent of the state's general fund.



Homeowner and Renter Assistance

The Franchise Tax Board administers the Homeowner and Renter Assistance Program that provides a once-a-year state payment to eligible individuals. This program benefits seniors 62 years of age or older and disabled or blind individuals. Participants' maximum yearly household income is adjusted each year for inflation. In 2003, their household income could not have exceeded \$38,505. The program is based on property taxes paid directly by homeowners and indirectly by renters. Qualified homeowners may receive up to \$472.60 and qualified renters may receive up to \$347.50.

For the 2003/2004 fiscal year, we processed more than 615,000 Homeowner and Renter Assistance claims, which totaled more than \$182 million in payments.



Political Reform Act Audits

The Political Reform Audit Program came into existence as result of the Political Reform Act of 1974, a post-Watergate reform measure passed by the voters of California to improve disclosure and accountability of political entities. This program is a separate, non-tax audit program of the Franchise Tax Board that has conducted political reform audits since 1975. We work closely with the Fair Political Practices Commission, the Secretary of State, and local filing officers.

Although the Political Reform Audit Program is a part of the Franchise Tax Board, our policy prohibits any exchange of information with other department programs.

Non-Tax Collections

The California Legislature has mandated that we help certain other state, county, and city agencies with account collections. We currently provide collection help with delinquent:

- Child support
- Vehicle registration
- Court-ordered debt
- Fines imposed for labor law violations

In 1999, the California Legislature increased our involvement within the child support program. As an agent of the Department of Child Support Services, we will develop, implement, and maintain a statewide, automated child support system.

Interagency Intercept Collection Program

We operate the Interagency Intercept Collection Program on behalf of the State Controller's Office. Many Californians owe money to other government agencies. Ironically, at the same time, they may have a refund due from us. Since 1975, we have been intercepting the tax refunds of people who owe delinquent amounts to other California state and local agencies. In 1985, the Legislature empowered us to also intercept California Lottery prizes. Once intercepted, the refunds and lottery prizes are redirected to the agencies owed the debts.



Tax Amnesty

Recent legislation authorizes the Franchise Tax Board and the Board of Equalization to administer a Tax Amnesty Program in early 2005.

Tax amnesty is a limited-time chance for individuals and businesses to pay past-due income, franchise, sales, or use taxes and the related interest penalty-free and without the fear of criminal prosecution. It runs from February 1 through March 31, 2005.

Taxpayers eligible to participate in amnesty, but choose not to do so, will be subject to added penalties.

Amnesty is open to both individuals and businesses for taxable years 2002 and prior, if they did any of the following:

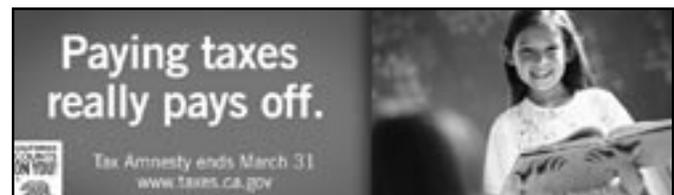
- Did not file required California tax returns.
- Underreported income on a previously filed tax return.
- Claimed excessive deductions.
- Did not pay income/franchise, sales, or use taxes on time.

The following taxpayers or transactions are not eligible for amnesty:

- Taxpayers currently under criminal investigation or prosecution on tax-related matters.
- Abusive tax shelter transactions that were eligible for relief under California's Voluntary Compliance Initiative or the 2003 IRS Offshore Voluntary Compliance Initiative. These initiatives applied to taxpayers with nonreported or underreported tax liability amounts attributable to an investment in an abusive tax shelter. Note: These taxpayers are eligible for amnesty for non-abusive tax shelter items.



Tax Amnesty Official Brand



Billboard ad design for Tax Amnesty

To get forms, visit www.taxes.ca.gov. Tax forms for 1985-2004 are available on our Website under *Forms & Publications*. You can get tax forms for older years by calling (800) 852-5711.

Those who do not take advantage of amnesty face increased enforcement actions for tax years 2002 and prior:

- The accuracy-related penalty increases from 20 to 40 percent on new tax assessments. This penalty is assessed for negligence or disregard of rules or regulations, any substantial understatement of income tax (10 percent), and other reasons.
- An amnesty penalty is imposed at the rate of 50 percent of the existing unpaid interest amount on years for which you could have applied for amnesty.
- An amnesty penalty is imposed at the rate of 50 percent of unpaid interest on tax assessments that become final after the amnesty ending date.

Services

Volunteer Income Tax Assistance/Tax Counseling for the Elderly

At more than 1,100 sites throughout California, trained volunteers provide free tax help to low-income, senior, disabled, military, and non-English speaking people who need to file simple federal and state income tax returns.

Visit our Website at www.ftb.ca.gov or call (800) 852-5711 to find the volunteer tax site nearest you.

Automated Toll-Free Phone Service

Our automated toll-free phone service is available 24 hours a day, seven days a week, in English and Spanish. You can: Order current tax forms and publications, check on the status of your refund, balance due, or payments received, and get answers to the most frequently asked tax questions.

Call(800) 338-0505

Bilingual Telephone Assistance

Assistance is available by calling(800) 852-5711

Hearing-Impaired Telephone Assistance

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

Other Telephone Services

We provide regular toll-free telephone service from 7 a.m. until 7 p.m., Monday through Friday.

From within the United States, call(800) 852-5711

From outside the US, call (not toll-free)(916) 845-6500

For the Internal Revenue Service, call.....(800) 829-1040

Personal Assistance

We have six field offices located throughout the state. You can visit the Franchise Tax Board and other California tax agencies and speak with a customer service representative face to face. The Franchise Tax Board's office hours are Monday through Friday 8 a.m. to 5 p.m.

We have organized two of our offices as Taxpayer Service Centers to offer you better access to all state tax services. These service centers bring state tax agencies together that Californians routinely work with, such as the State Board of Equalization (BOE) and the Employment Development Department (EDD).

Taxpayer Service Centers	Address	Participating Agencies
Oakland	1515 Clay St., Ste. 305	FTB, BOE
Sacramento	3321 Power Inn Rd., Ste. 250	FTB, BOE, EDD
Other Field Offices	Address	
Los Angeles	300 S. Spring St., Ste. 5704	
San Francisco	600 Spear St., Ste 400	
Santa Ana	600 W. Santa Ana Blvd., Ste. 300	
West Covina	100 N. Barranca St., Ste. 600	

CalFile

www.ftb.ca.gov

Internet Services

We offer a variety of e-government services to connect you directly to us. From our Website, you can find out how to:

- E-file your tax return free with us or through one of many online filing services.
- Check your tax refund status.
- Check your account status for payments made or your balance due.
- Choose a payment option.
- Apply for an installment payment plan for taxes owed.
- Request an email reminder to file.
- Download and print current and prior year forms and publications.
- Get information about law changes, legal rulings, studies, and news releases.
- Read answers to frequently asked questions.
- Locate an authorized e-file provider in your area.
- Send an email to the executive officer.
- Obtain other general information about the Franchise Tax Board.

You can also email your technical tax questions to us through the Internet. Because of security concerns, please do not include confidential information (such as your social security number or other personal data) with your email.

Visit our Website at www.ftb.ca.gov.



Easier Filing Methods

File for free with CalFile! The FTB's CalFile service provides 6.3 million Californians with a simple, direct, and convenient way to e-file their tax return.

The qualifications include any filing status with income up to \$280,000. CalFile accommodates many income sources beyond W-2 wages such as interest, dividends, alimony, and IRA distributions. Taxpayers claiming the Renter's Credit and the Child and Dependent Care Expenses Credit qualify. Taxpayers who itemize their deductions can use it as well as taxpayers claiming the senior or blind exemption credit.

CalFile performs math calculations, tax table look-up functions, and checks for simple processing errors. The benefits of using e-file are: Quick refunds within seven days. Accurate return preparation. A paperless process. Acknowledgement that the FTB received the return. CalFile is available through October 17, 2005. Access our Website at www.ftb.ca.gov and go to the CalFile page.

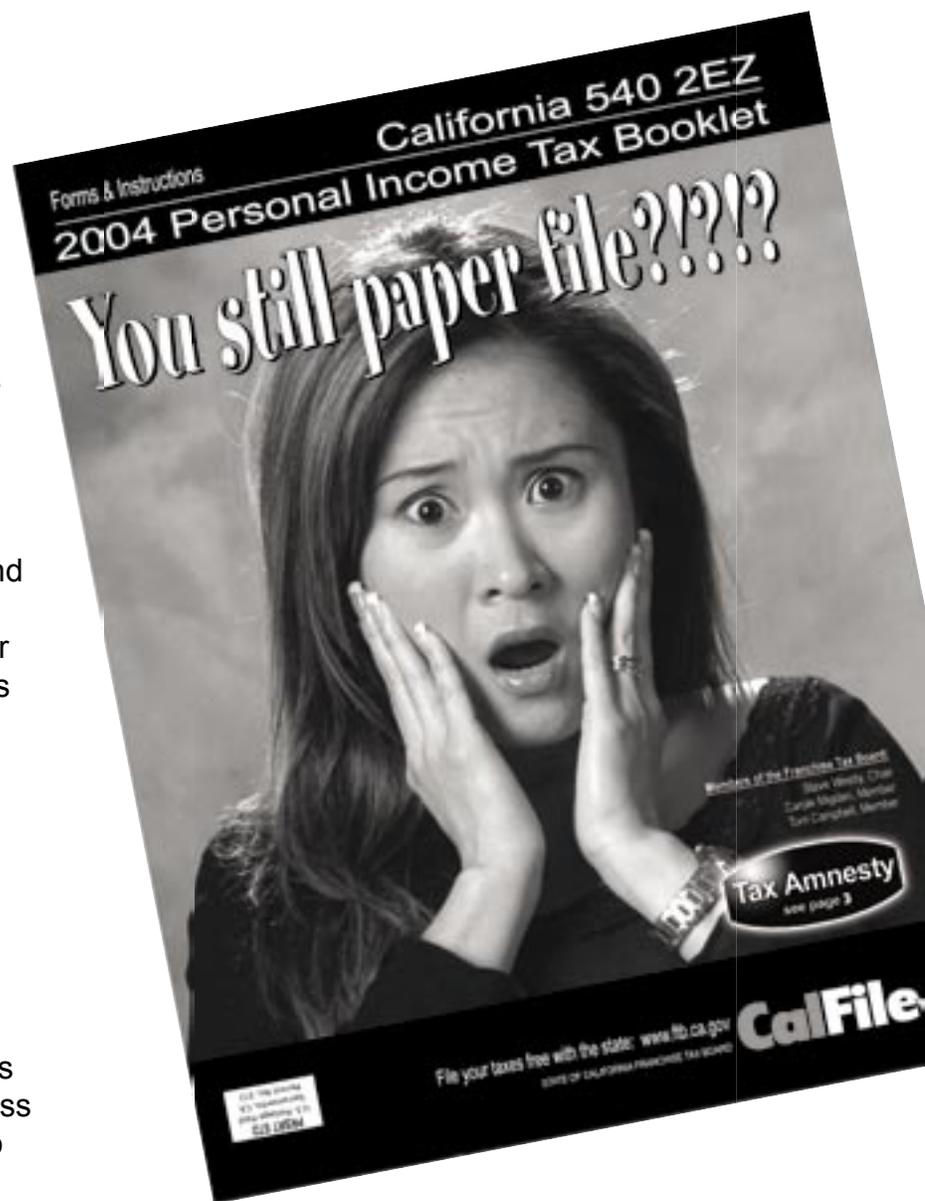
For other e-file services, you can go to www.ftb.ca.gov to locate Web-based tax preparation software or you may purchase software at the store. Most software products use a question-and-answer format and provide help buttons when you are not sure how to answer. All software companies provide a completed tax return to print and keep for your records. Some companies offer free e-filing to taxpayers who meet certain requirements—be sure to check it out!

If you use a tax preparer, chances are good that they will e-file for you. See the list of IRS/FTB approved e-file providers on our Website.

Direct Deposit

Choose direct deposit and have your refund deposited into your bank account quickly—within five-seven days—if you efile.

For more information about e-file and other services, visit our Website.



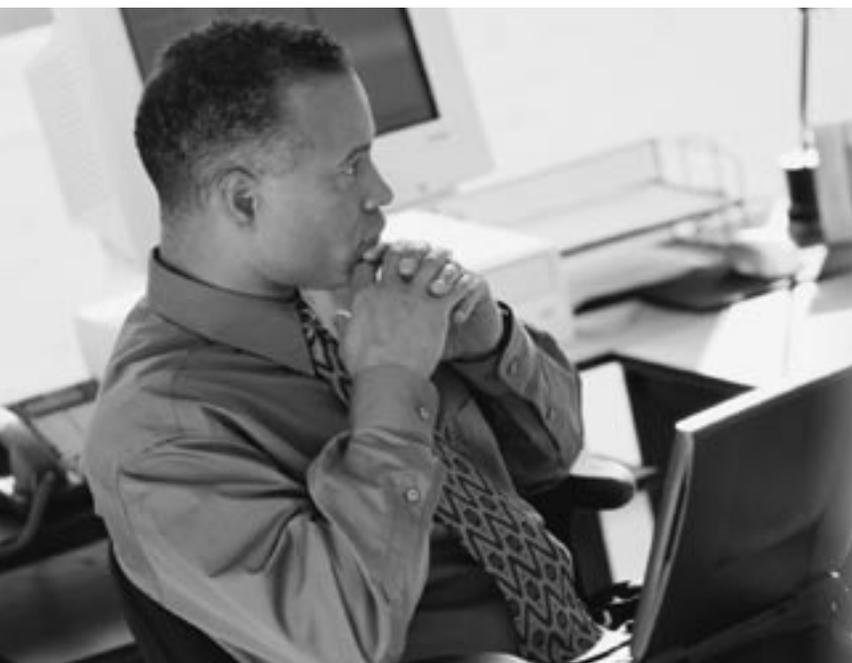
Easier Payment Methods

Web Pay

Whether you e-file or file by mail, you can pay your personal income taxes (balance due, extension payment, estimated tax payment, or tax bill) online by requesting an electronic funds withdrawal from your bank account. You choose the date, on or before April 15, 2005. There's nothing to mail!

Credit Card

You can also pay your personal income taxes by using your Discover/Novus, MasterCard, American Express, or Visa card. There is a convenience fee for this service, 2.5 percent of the tax amount being charged (minimum \$1.00). This fee is paid directly to Official Payments Corp. based on the amount of your tax payment. To find out more about using your credit card to pay, visit **www.ftb.ca.gov**, call (800) 272-9829, or go to **www.officialpayments.com**.



Your Rights as a Taxpayer

We hope to make your interaction with us as helpful, courteous, and convenient as possible. Our goal is to make certain we protect your rights so that you will have the highest confidence in the integrity and fairness of our state tax system. The *California Taxpayers' Bill of Rights* (FTB 4058C) comprehensive guide includes information on your rights as a California taxpayer, the Taxpayer Advocate Program, and how you can request written advice from us. You can order FTB 4058C by calling us or downloading it from our Website.