



Franchise Tax Board At a Glance 2007

www.ftb.ca.gov

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:

- John Chiang, Chair
- Betty T. Yee, Member
- Michael C. Genest, 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 such as delinquent vehicle registration and court-ordered debt

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.

Your Rights as a Taxpayer

We want your experience with us to be 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.

Services

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

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.

Volunteer Income Tax Assistance/Tax Counseling for the Elderly

At more than 1,800 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.

Services (continued)

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

Homeowner and Renter Assistance, call.....(800) 868-4171

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

Internet Services

Our Website www.ftb.ca.gov offers a variety of e-government services. From our Website, a brief list of some of the options available allow you 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.
- Apply for an installment payment plan for taxes owed.
- Download and print current and prior year forms and publications.

You can also email your technical tax questions 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.

Serving the Public by Continually Improving the Quality of Our Products and Services

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

Personal Income Tax

Each year, Californians file more than 14 million state personal income tax returns. The Personal Income Tax program generates more than \$49.9 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 adjustments between federal and state tax laws.

Business Tax

Corporations and businesses file more than 1 million returns each year, generating more than \$10.4 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 64 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.

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 2005, their household

income could not have exceeded \$40,811. 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 2005/2006 fiscal year, we processed more than 626,000 Homeowner and Renter Assistance claims, which totaled more than \$183 million in payments.

Non-Tax Collections

In addition to income tax liabilities, the Franchise Tax Board pursues debts owed to state and local governments. As authorized by governing legislation, FTB provides collection services to collect on delinquent:

- Vehicle Registration
- Court Ordered Debt
- Fines imposed for labor law violations

Interagency Intercept Collections

We operate the Interagency Intercept Collection Program in conjunction with 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.

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 ballot initiative passed by the voters of California as Proposition 9 to improve disclosure and accountability of political entities. Over the years, through legislation and ballot initiatives approved by the voters, the Program has evolved from audits of reports and statements filed

by State and local candidates, committees, and lobbyists to a complex program which includes electronic filings and contribution and expenditure limits.

This Program is a separate, non-tax program of the FTB that has conducted political reform audits since 1975. The Program works closely with the Fair Political Practices Commission, the Secretary of State's Office, and local filing officers.

Although the Political Reform Audit Program is part of the FTB, departmental policy prohibits any exchange of information with the other department programs.

Tax Gap

The tax gap is the difference between the total amount of taxes California taxpayers owe based on their income and amount that they pay.

Unfortunately, not everybody pays all the tax they should. This not only short-changes funding for public services; it undermines the sense of equity honest taxpayers have in their tax system. It also places an unfair burden on businesses that pay all their taxes and try to compete with businesses that evade their tax obligations. The FTB has effective and efficient audit, collections, investigations, and filing programs in place to encourage increasing levels of future self-compliance.

In spite of this, estimates say California taxpayers still owe each year \$6.5 billion more in taxes than they pay. To target this gap, the FTB initiated and successfully executed several activities in fiscal year 2005/06:

- Detection of preparers filing fraudulent returns - We are using new methods to detect fraud by tax preparers and charging them penalties.
- Additional information sources to identify non-filers - We are acquiring

additional income records both to find non-filers and under reporters.

- Underground economy criminal investigations - We are Increasing the number of criminal prosecutions of egregious tax evaders and publicizing them to gain maximum deterrent value.
- Audit Staff Augmentation - We are targeting abusive tax shelters and those who promoter abusive tax avoidance transactions. Current estimates say the state loses \$500 million annually through these shelters.
- Collection Staff Augmentation - With additional resources in our collection area, we are pursuing and resolving more tax liabilities.
- Discovery Audit Activities - We are seeking new audit initiatives to identify taxpayers who are filing but not including all of their income in accordance with the Revenue and Taxation Code.

Our system of voluntary tax compliance depends on our citizens believing the tax system is fair and equitable to all. Although we will never be able to completely close the state's tax gap, we are confident we can greatly reduce it through a balanced approach of education and outreach combined with a responsible amount of stepped-up enforcement action.

Easier Filing Methods

E-filing advantages:

- It's fast, easy, and accurate.
- You get your refund fast.
- We send a confirmation that we received your return.
- You can even pay your taxes online.

File for free with CalFile! The FTB's CalFile service provides 6.3 million California taxpayers 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, and acknowledgement that the FTB received the return. CalFile is available through October 16, 2007. 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.

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.

| 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 Street, Suite 5704 | |
| San Diego | 7575 Metropolitan Drive, Suite 201 | |
| San Francisco | 121 Spear Street, Suite 400 | |
| Santa Ana | 600 W. Santa Ana Boulevard., Suite 300 | |

