



STATE OF CALIFORNIA
Franchise Tax Board

City/County Business Tax (CCBT) Disclosure Training



Safeguards and Data Oversight Unit
Privacy, Disclosure, & Safeguards Section

FTB Information Security Training Objective



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In accordance with Revenue and Taxation Codes section 19551.1(b)(3)(C) and Civil Code section 1798.21, the purpose of this training is to inform and educate the city/county and its employees as to the appropriate usage of Franchise Tax Board (FTB) confidential tax data, and safeguards necessary to mitigate the risk of unauthorized access or disclosure, as well as the penalties that may be imposed for access or disclosure violations.

Training Topics Herein:

- Legal Authority
- Use of Data and Ownership
- Safeguarding Data
- Penalties for Disclosure
- Confidentiality Statement
- Incident Reporting
- Destruction of Records



The City/County Business Tax Program is administered under the following provisions of the California Revenue and Taxation Code:

- Sections 19551.1 and 19551.5 authorize a reciprocal agreement for the exchange of city/county business tax/license and confidential tax information between a city/county and FTB.
- Section 19551.1 permits FTB to furnish to such cities/counties identifying information for taxpayers with an address within the jurisdictional boundaries of the city/county who report income from a trade or business.
- The tax information that may be provided is limited to name, address, social security or taxpayer identification number, and business activity code.



The confidential tax data being provided to the city/county under the exchange agreement remains the exclusive property of the FTB, and must be used exclusively for business license tax administration and enforcement efforts.

FTB's confidential tax data is not available to the general public and requires those with authorized access to take special precautions to protect it from:

- Loss
- Unauthorized access, inspection, acquisition, use or disclosure
- Modification



A secure environment is required to protect the confidential tax data obtained from FTB, including implementing the following safeguards:

- Restrict access to only employees of the business tax/license program
- Password protect computers or systems storing FTB electronic data
- Lock hardcopies of the data in a file drawer

Additional safeguard recommendations include:

- Maintain a visitor log for non-city/county employees
- Set a predetermined 10-minute lockout period on your system
- Use strong passwords
- Display warning banners on all systems that may contain FTB confidential tax data

- Example:

This computer contains confidential Franchise Tax Board data. Unauthorized access, inspection, acquisition, use, or disclosure of this information may be punishable under Revenue and Taxation Code sections 19542.1 and Penal Code section 502.

Per Revenue and Taxation Code Section 19552:

Information secured shall be used solely for the purpose of administering the tax laws or other laws administered by the agency obtaining it. Any unwarranted disclosure or use of the information by the person or agency, or the employees and officers thereof, is a misdemeanor.

Per Penal Code section 502, Revenue and Taxation Code Sections 19542 and 19542.1, and Civil Code Section 1798.53:

Unauthorized access, inspection, use or disclosure of state returns or other confidential information or data is a misdemeanor and subject to penalties.

Penalties for each violation may include:

- Up to \$10,000 fine
- One to three years incarceration
- Civil lawsuit

Confidentiality Statement



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Upon approval of the data exchange agreement, and prior to any access to FTB confidential tax data, each city/county employee who may have access to the data is required to sign annually and keep on file the *City/County Business Tax Program Confidentiality Statement (FTB Form 712)*.

By signing this statement, the employee attests that they are aware of the confidentiality of the data in their care, and penalties for unauthorized access, inspection, acquisition, use or disclosure thereof under applicable State law.

The signed statement(s) must be retained by the city/county and furnished to FTB upon request.



Unauthorized or suspected unauthorized access, inspection, acquisition, use, and/or disclosure of FTB data must be reported within 24 hours of becoming aware of the incident, as follows:

- Email incident report to SecurityAuditMail@ftb.ca.gov
 - cc: FTBCCBT@ftb.ca.gov

- Include:
 - Date and time of incident
 - Date and time of discovery (*if different*)
 - Name and job title of employee involved
 - Description of incident
 - Action(s) taken
 - Your name and contact information

Destruction of Records



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As a final measure to ensure data protection, all confidential tax data received from FTB must be destroyed within three years of receipt. The data must be destroyed in a manner to be deemed unusable or unreadable, and to the extent that an individual record can no longer be reasonably ascertained.

- Purge all files on your system(s)
- Degauss, demagnetize, or damage CDs to prevent use
- Shred paper documents

Notify FTB annually when the destruction of records has been completed.

- Email FTBCCBT@ftb.ca.gov



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