



## Return Information Notice Explanation

This insert explains the adjustments we made to your entity's tax return.

To help you understand our adjustments:

1. Match the Paragraph Codes from the enclosed notice with the Paragraph Code Explanations on this insert.
2. Compare the information on your entity's tax return and supporting documents with the information on the enclosed notice.

We refer to:

- California Revenue and Taxation Code as R&TC.
- The California Secretary of State's Office as SOS.
- Limited Liability Companies as LLCs.

All Franchise Tax Board (FTB) forms and publications we reference are available at [ftb.ca.gov/forms](http://ftb.ca.gov/forms).

If you disagree with our adjustments or you need clarification, contact us by telephone, fax, or mail. Refer to **Internet and Telephone Assistance** for contact information.

If you contact us, we will need your:

- Name, address, and telephone number.
- Entity's identification number.
- Enclosed notice number.

If you call us, have your entity's tax return, supporting documents, and the enclosed notice available during the call.

If you write or fax information to us, include copies of the enclosed notice and any supporting documents. Send any written correspondence to:

**FRANCHISE TAX BOARD**  
 PO BOX 942857  
 SACRAMENTO CA 94257-0540

### Contact Us

**Web:** [ftb.ca.gov](http://ftb.ca.gov)

**Phone:** 800.852.5711 7 a.m. to 5 p.m. weekdays,  
 except state holidays  
 916.845.6500 from outside the United States

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

### Paragraph Code Explanations

**AA** We revised the tax your corporation reported on its tax return for one of the following reasons:

- We found a computation error.
- Your corporation used the incorrect tax rate.
- Your corporation's tax cannot be less than the minimum franchise tax, if it incorporated or qualified before January 1, 2000.
- Your corporation incorporated or qualified through SOS on or after January 1, 2000. In these situations, the tax on the first required corporation tax return may be less than the minimum franchise tax. If inactive or operating at a loss, no minimum franchise tax is due. On subsequent required tax returns, the tax cannot be less than the minimum franchise tax.
- Because your corporation's net income after state adjustments (pre-apportioned income) exceeds \$300,000, it cannot deduct the Net Operating Loss (NOL) carryover. This law applies to 2010 and 2011 tax years (R&TC Section 24416.21). As a result, we revised the tax return.
- Because your corporation's net business income exceeds \$500,000, it cannot deduct the Net Operating Loss (NOL) carryover. This law applies to 2008 and 2009 tax years (R&TC Section 24416.9). As a result, we revised the tax return.

If your corporation carries tax credits over to a subsequent year, then revise that amount on the subsequent year accordingly.

- AB** Your corporation must pay the minimum franchise tax for each tax year even if it is inactive or operates at a loss.
- AC** Corporations doing business in California are subject to the minimum franchise tax.
- AD** Corporations subject to tax under Chapter 3 of the Corporation Tax Law are not subject to the minimum franchise tax.

**AE** The minimum franchise tax is due until your corporation files one or more of the following documents with SOS:

- *Certificate of Election to Wind Up and Dissolve* (Form ELEC STK), if a domestic stock corporation.
- *Certificate of Dissolution* (Form DISS STK), also if a domestic stock corporation.
- *Certificate of Election to Wind Up and Dissolve* (Form ELEC NP), if a domestic nonprofit corporation.
- *Certificate of Dissolution* (Form DISS NP), also if a domestic nonprofit corporation.
- *Certificate of Surrender*, if a foreign corporation.

**AF** Minimum or annual tax is due for each entity that the parent includes in a combined report. This applies to entities that formed with SOS or that do business in California. Entities that formed with SOS must pay minimum or annual tax, even if they are inactive.

**AG** Our records do not indicate that we granted your corporation tax-exempt status. Therefore, it is subject to the franchise or income tax.

**AH** Your corporation used the incorrect financial tax rate.

**AI** Corporations that elect S corporation treatment are subject to tax at the rate of 1.5 percent of net income. However, the tax must not be less than the minimum franchise tax.

**AJ** Limited partnerships (LPs), limited liability partnerships (LLPs), and real estate mortgage investment conduits (REMICs) must pay an amount equal to the minimum franchise tax. However, they are not subject to franchise or income tax.

**AK** We do not require credit unions whose gross receipts come solely from membership income to pay the minimum franchise tax if the tax year begins on or after January 1, 1990.

- AL** A corporation is subject to Chapters 2 and 3 of the Corporation Tax Law until it files a Certificate of Dissolution with SOS. This law applies even if it is inactive or operates at a loss.
- AM** Your corporation, which we classify as an insurance company, is no longer subject to the franchise tax provisions of the Corporation Tax Law.
- AN** All qualified subchapter S subsidiaries (Qsub) that are incorporated or qualified with SOS, or that do business in California, are subject to an annual tax amount which equals the minimum franchise tax.
- AO** Every Financial Asset Securitization Investment Trust (FASIT) is subject to the minimum franchise tax.
- AP** Your corporation used the incorrect tax rate.
- AR** We revised the tax your corporation reported. The minimum tax is \$800 unless it indicated that it met the definition of a qualified new corporation. A qualified new corporation is one that:
- Incorporated on or after January 1, 1999, and before January 1, 2000.
  - Reasonably estimated its gross receipts, less returns and allowances reportable to California, to be \$1 million or less.
  - Reasonably estimated it would not have a tax liability that exceeded the minimum franchise tax of \$800.
  - Began business operation at or after the time of its incorporation.
  - Did not begin business as a sole proprietorship, partnership, or other form of business entity before it incorporated.
- The minimum tax for the second tax year of a qualified new corporation was \$500.
- BB** Tax credits that your corporation claimed cannot reduce tax below the minimum franchise tax. If your corporation carries tax credits over to a subsequent year, then revise that amount on the subsequent year accordingly.
- BC** Tax credits that your business entity claimed cannot exceed the maximum amounts the statute allows. If your corporation carries tax credits over to a subsequent year, then revise that amount on the subsequent year accordingly.
- BD** We revised the tax credits that your business entity claimed because we could not locate the schedules and identify the tax credit it claimed. If your corporation carries tax credits over to a subsequent year, then revise that amount on the subsequent year accordingly.
- BF** We disallowed your New Jobs Credit generated amount based on one or both of the following reasons:
- You did not file your original tax return timely.
  - You filed after the New Jobs Credit cutoff date.
- BG** We disallowed your New Employment Credit generated amount because you did not file your original tax return timely.
- CA** We revised the tax your corporation reported because we found a computation error in adding one or more of the following:
- The alternative minimum tax.
  - Tax from Schedule D.
  - Excessive net income tax.
  - Preference tax.
- We revised the corresponding lines on your corporation's tax return.
- DA** We revised the prior year overpayment your corporation claimed because the amount was incorrect.
- DB** We applied an estimated tax payment or credit to another tax year according to your corporation's instructions. We cannot refund or transfer those funds to a different tax year until your corporation files a tax return for that year.
- DC** We have no record of a prior year credit.
- DD** We refunded all or part of the overpayment amount from the prior year that your business entity claimed on its tax return.
- DE** Your business entity may not claim pending credits due to a claim for refund until we allow the claim.
- EA** We revised the estimated tax payment amount that your corporation reported on its tax return to reflect what we received.
- EB** The minimum tax your corporation paid to SOS when it incorporated is for the privilege of doing business in California. It cannot claim this as an estimated tax payment.
- EE** We revised the amount of real estate, backup, resident, or nonresident withholding to the greater of:
- The amount we substantiated from Forms 592-B and 593, which your business entity attached to its tax return.
  - The amount of credit we were able to verify. If you disagree with our revision, please contact **Withholding Services and Compliance**  
Telephone: 888.792.4900  
Fax: 916.845.9512
- EF** We credited your entity with payments its subsidiaries made.
- FA** Your entity claimed an incorrect extension payment amount.
- GA** We revised the dissolving/withdrawing credit that your corporation claimed on its tax return for one of the following reasons:
- Your corporation cannot claim this credit if it incorporated or qualified after December 31, 1971.
  - Your corporation must formally dissolve to claim this credit. SOS' records do not indicate it dissolved.
- HA** We revised the tax due that your corporation reported on its tax return either to correct a computation error or to reflect our adjustments to the preceding lines.
- HB** Your corporation made an error when it transferred figures from Schedule J to Side 1 of its tax return or in its computation of the look-back amount tax adjustment.
- HS** Your entity designated on its tax return that its only source of income is qualified health care service plan income that is excludable from gross income under R&TC Section 24330. We disallowed this designation because your entity's qualified health care service plan is not listed with the Department of Health Care Services as subject to the Managed Health Care Provider tax.
- IA** We revised the overpayment your corporation reported to correct a computation error.
- JA** We revised the credit to the next year's estimated tax for one or more of the following reasons:
- We found a computation error.
  - We revised the total tax your corporation reported.
  - We transferred the minimum amount the law requires for the first estimate due on the subsequent year.

- JB** We applied part or all of the overpayment from your corporation's tax return to the next year's estimated tax. Contact us if you do not want this. If we refund the credit, your corporation may be subject to an estimated tax penalty when it files next year's tax return.
- JC** We applied the overpayment from your corporation's tax return to the next year's estimated tax as requested.
- KA** We revised the refund amount on your corporation's tax return to reflect the amount of available payments and credits.
- KB** We may not allow your business entity a refund or credit beyond the later of:
- Four years after the original tax return due date.
  - Four years after the file date of the original tax return. Your corporation must have filed by the extended due date.
  - One year after the payment date.
- KC** We applied part or all of the refund that your business entity claimed on its tax return to a prior balance due.
- MA** We revised the prepayment tax amount your corporation paid to SOS. If your corporation met the definition of a qualified new corporation (QNC), then the tax was \$600. This amount applied to tax years that began on or after January 1, 1997, but before January 1, 1999. For that period, a QNC was one that:
- Reasonably estimated its gross receipts, less returns and allowances reportable to California, to be \$1 million or less.
  - Reasonably estimated its California tax liability, which it bases upon its income, would not exceed \$800.
  - Another corporation owned 50 percent or less of its stock.
- The prepayment tax to SOS was \$300 if your corporation met the definition of a QNC for tax years that began on or after January 1, 1999, but before January 1, 2000. For that period, a QNC was one that:
- Began operation on or after the date it incorporated.
  - Reasonably estimated its gross receipts, less returns and allowances reportable to California, to be \$1 million or less.
  - Less than 50 percent of its stock was owned by another corporation.
  - Did not begin business as a sole proprietorship, partnership, or other form of business entity before it incorporated.
- SOS did not require your corporation to pay any prepayment tax for its first tax year if it:
- Incorporated or qualified with SOS on or after January 1, 2000.
  - Was not a Regulated Investment Company (RIC), Real Estate Mortgage Investment Conduit (REMIC), Financial Asset Securitization Investment Trust (FASIT), or a Qualified Subchapter S Subsidiary (Qsub).
  - Did not reorganize solely to avoid payment of the minimum tax.
- MB** Your corporation paid a prepayment tax of \$600 when it incorporated with SOS. (See paragraph **MA** for this definition.) However, it did not meet the definition of a qualified new corporation. It should have paid \$800 prepayment tax to SOS. We made the adjustment.
- MC** Under California law, corporations that do business in California must pay the minimum tax on or before the first estimate due date. This tax is \$800.
- MD** Information on your corporation's tax return indicates it is a qualified new corporation. (See paragraph **MA** for this definition.) A qualified new corporation must pay \$600 to SOS when it incorporates. Your corporation paid \$800.
- ME** We cannot grant your corporation's request for a \$200 refund of the prepayment tax it paid to SOS. Your corporation does not meet the definition of a qualified new corporation. (See paragraph **MA**.)
- MF** Your corporation paid \$300 to SOS when it incorporated. (See paragraph **MA**.) SOS charged a prepayment tax of \$800. We made the adjustment.
- MG** Information on your corporation's tax return indicates it is a qualified new corporation (QNC). (See paragraph **MA**.) When QNCs incorporated, SOS charged them \$300. Your corporation paid \$800.
- MH** We cannot grant your corporation's request for a \$500 refund of the prepayment tax it paid to SOS. Your corporation does not meet the definition of a qualified new corporation. (See paragraph **MA**.)
- NB** We issued your organization this refund because we approved its application for tax-exempt status.
- NC** Organizations exempt under R&TC Section 23701d are not subject to a filing fee. These organizations are:
- Exclusively religious.
  - Controlled by a religious organization.
  - Schools.
  - Public charities.
- ND** The filing fee is not required; the return gross receipts are below the filing fee threshold.
- NE** Political action organizations are tax-exempt from the payment of the minimum franchise tax.
- NF** Your organization does not have to file an FTB Form 199, *California Exempt Organization Annual Information Return*, or pay the associated filing fee.
- PA** We revised the payments balance shown on your tax return due to a computation error. If you reported use tax, payments and/or credits must be applied to use tax first. For use tax assistance, please contact the Information Center at the State Board of Equalization at 800.400.7115 or go to [boe.ca.gov](http://boe.ca.gov).
- PB** We assessed a penalty for the period your corporation did not pay the estimated tax.
- PC** No estimated tax penalty is due for the tax year that we show on the enclosed notice.
- PD** We assessed penalties and interest where applicable. Refer to **Interest Information** and **Penalties and Fees Information** within this insert.
- RA** Total income is defined as gross income plus the cost of goods sold; it does not include losses (R&TC Sections 17942 and 24271). We revised the amount on line 1 of Form 568, *Limited Liability Company Return of Income*, for one or more of the following reasons:
- It is a negative amount.
  - It is less than the gross profit calculated on Form 568, *Limited Liability Company Return of Income*, Schedule B, Income and Deductions.
  - The LLC Income Worksheet was incorrect or not attached. We calculated your income using the information you provided on Forms 568, Schedule B, Income and Deductions, and Schedule K, Member's Shares of Income, Deductions, Credits, etc.

For more information, get FTB 3556 LLC MEO, *Limited Liability Company Filing Information*.

- RB** LLCs that do business in California are subject to an annual fee based on the total income they attribute to California (R&TC Section 17942). We revised the fee your LLC reported on its tax return either because we found a computation error, or it used the incorrect fee amount.
- RC** An LLC is subject to the annual tax of \$800 if one of the following is true:
- It does business in California.
  - SOS issued it a Certificate of Registration.
  - SOS endorsed its Articles of Organization.
- RD** We revised the nonconsenting nonresident members' (NCNR) tax your LLC reported on its tax return because we found a computation error or it used an incorrect tax rate.
- RE** We revised the annual tax your LLC reported on its tax return. For your LLC to qualify for zero tax, it must file a *Limited Liability Company Short Form Certificate of Cancellation* (LLC-4/8) with SOS within 12 months of filing its *Articles of Organization* (LLC-1). For this to apply, your LLC must not have conducted business. Annual tax payments that a registered LLC made for its first tax year are not refundable.
- RF** We revised the extension and annual tax payments your LLC reported on its tax return because the amounts are incorrect.
- RG** We revised the tax and fee due that your LLC reported on its tax return to correct a computation error.
- RH** We revised the credit to next year's tax or fee your LLC reported on its tax return for one of the following reasons:
- We found a computation error.
  - We made a change to the total tax and fee due.
  - We corrected the payment amount and credits available.
- RI** We applied part or all of the overpayment from your LLC's tax return to the next year's tax liability. Contact us if you do not want this. If we refund the credit, your LLC may be subject to a late payment penalty for the next year.
- RJ** We offset all or part of the total overpayment to other liabilities that exist on your LLC's account. If you disagree with our offset, you can file a claim for refund. File the claim for refund for the year to which we applied the overpayment. If the overpayment did not completely satisfy the liability for that tax year, your LLC must pay the tax and penalties before you submit the claim. The claim should be in the form of a letter with a title, "Claim for Refund" and must provide the following:
- The LLC's name and ID number.
  - All tax years involved.
  - Total amount of the claim.
  - The reason for the claim and any substantiation.
- Send the claim for refund letter to:  
**FRANCHISE TAX BOARD**  
**PO BOX 942857**  
**SACRAMENTO CA 94257-0540**
- SA** We disallowed your corporation's request for direct deposit of its refund. We did this because the required information was missing, invalid, or illegible. We converted the request to a paper check to ensure a timely refund.
- UT** We revised the use tax balance shown on your return due to a computation error. If you reported use tax, payments and/or credits must be applied to use tax first. For use tax assistance, please contact the Information Center at the State Board of Equalization at 800.400.7115 or go to [boe.ca.gov](http://boe.ca.gov).
- VA** We offset all or part of your entity's total overpayment to other liabilities on its account. If you disagree with our offset, you can file a claim for refund. File the claim for the tax year to which we applied the overpayment. If the offset did not completely satisfy the liability for that tax year, your entity must pay the tax and penalties before you submit the claim. (See paragraph **RJ** for instructions on how to file a claim for refund.)
- WA** We offset all or part of your corporation's total overpayment to other liabilities on a related corporation's account. If you disagree with our offset, you can file a claim for refund. File the claim for the tax year to which we applied the overpayment. If the offset did not completely satisfy the liability for that tax year, then your corporation must pay the tax and penalties before you submit the claim. (See paragraph code **RJ** for instructions on how to file a claim for refund.)
- XA** The State Board of Equalization (BOE) notified us that your entity has an outstanding liability with them. We offset its refund against that liability. Refer to the enclosed notice for the amount we credited to them. You may call BOE from within the United States at 800.400.7115 or from outside the United States, at 916.445.6362.
- XB** The State Controller's Office (SCO) notified us that your entity has an outstanding liability with them. We offset its refund against that liability. Refer to the enclosed notice for the amount we credited to SCO. You may call them at 916.445.2636.
- XD** The Attorney General's Office notified us that your entity has an outstanding liability with them. We offset its refund against that liability. Refer to the enclosed notice for the amount we credited to them. You may call the Attorney General's Office at 800.952.5225 or from outside the United States, at 916.445.9555.
- XE** The Medical Board of California notified us that your entity has an outstanding liability with them. We offset its refund against that liability. Refer to the enclosed notice for the amount we credited to them. You may call the Medical Board of California at 800.633.2322 or from outside the United States, at 916.263.2382.
- XF** The Pharmacy Board notified us that your entity has an outstanding liability with them. We offset its refund against that liability. Refer to the enclosed notice for the amount we credited to them. You may call the Pharmacy Board at 916.574.7900.
- XG** A California city, county, or agency notified us that your entity has an outstanding liability with them. We offset all or part of this overpayment to that liability. We mailed a notice with details about this transaction to your entity. If you have any questions, you may call us at 916.845.5344.
- YA** The Employment Development Department (EDD) notified us that your entity has an outstanding liability with them. We offset its refund against that liability. Refer to the enclosed notice for the amount we credited to them. You may call EDD from within the United States at 888.745.3886 or from outside the United States, at 916.464.3502.

- ZC** The overpayment is due to duplicate or additional payments.
- ZD** If your corporation wants us to refund this credit, return a copy of this notice with a request for refund. If we refund the credit, your corporation may be subject to an estimated tax penalty for the next tax year.
- ZE** We applied all or part of your corporation's overpayment to a balance due on a subsidiary account.
- ZF** We base the tax for the year in which a corporation either dissolves or withdraws on the income for that year plus the income for the preceding year. However, the tax cannot be less than the minimum tax.
- ZG** We disallowed your entity's request for a waiver of penalties and interest due to a disaster or act of terrorism. We did this for one of the following reasons:
- The tax year does not fall within the designated period to claim the disaster or terrorism loss.
  - The loss did not occur within the designated disaster or terrorism area.
- ZH** We partially disallowed your entity's request for waiver of penalties and interest due to a disaster or act of terrorism. We only waive penalties and interest for the duration of the administrative relief period.

### Extension of Time to File

We automatically allow an extension to file for all corporations and LLCs that are not suspended or forfeited by FTB or SOS. We will not assess a delinquent penalty if you file your tax return by the extended due date. However, to avoid late payment penalties and interest, you must pay the tax due by the original tax return due date.

### Interest Information

Generally, interest accrues on unpaid taxes from the original due date of the tax return until the date we receive full payment. Interest accrues on penalties from the effective date of the penalty until the date we receive full payment (R&TC Section 19101).

We adjust interest rates semiannually (R&TC Section 19521).

We charge C corporations an interest rate that is 2 percent greater than the current rate if:

- Their total unpaid tax for any taxable year exceeds \$100,000.
- They do not pay the full balance due within 30 days of the original notice date.

To locate both past and current interest rates, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **interest rates**.

### Penalties and Fees Information

#### Penalties

**Estimated Tax Penalty** We impose a penalty if your entity does not pay, pays late, or underpays an estimated tax installment. We calculate the penalty on the unpaid amount from the due date of the estimated tax installment to the following dates (whichever is earlier):

- The date we receive your payment.
- The 15th day of the 3rd month after the close of the taxable year if filing forms 100, 100W, or 100S.
- The due date of the return if filing form 109.

To locate both past and current interest rates, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **interest rates**. (R&TC Sections 19142 and 19161)

**LLC Estimated Fee Penalty** We assess a penalty if your LLC fails to estimate and pay its annual fee by the 15th day of the 6th month of the tax year. The penalty amounts to 10 percent of the unpaid fee. We will not assess this penalty if your LLC pays a fee that equals or exceeds the amount it paid for the previous year. This provision affects tax years that begin on or after January 1, 2009 (R&TC Section 17942).

#### Delinquent Return Penalty – Corporation and Partnership

If you do not file your entity's income tax return by the due date, we impose a penalty of 5 percent of the tax due, after applying any payments and credits made on or before the original return due date, for each month or part of a month the return is late. The maximum penalty is 25 percent. We impose the penalty from the original tax return due date of the return (R&TC Section 19131).

**Delinquent Return Penalty – LLC** If you do not file your limited liability company's income tax return by the due date, we impose a penalty. After we deduct your timely payments and credits, we charge 5 percent monthly on the fee and/or nonconsenting nonresident members' tax indicated on your tax return, not to exceed 25 percent. We impose the penalty from the original return due date (R&TC Section 19131).

**Delinquent Penalty – Form 199** If your organization does not file its Form 199 by the extended due date, we impose a penalty of \$5 per month for each month or part of a month the Form 199 is late. The maximum penalty is \$40. We impose the penalty from the original due date of the return (R&TC Section 23772).

**Demand to File Penalty** If we send you a demand to file your entity's income tax return or to provide us with information, and you do not comply, we impose a penalty of 25 percent of the tax on our assessment before applying any payments or credits. **Therefore, your entity may owe penalties and interest even if its tax return shows that a refund is due.** (R&TC Section 19133) The demand to file penalty is in addition to the 25 percent late filing penalty discussed above (imposed pursuant to R&TC Section 19131).

#### Nonqualified/Nonregistered, Suspended, Forfeited Penalty

We impose a \$2,000 penalty on entities who fail to file a tax return within 60 days after we send a demand to file. This penalty applies to the following entities doing business in California:

- Nonqualified, suspended, or forfeited corporations.
- Nonregistered, suspended, or forfeited limited liability companies (R&TC Section 19135).

#### Late Filing Penalty – LLC and Partnership

We impose a penalty if you do not file limited liability company returns by the extended due date or if the returns fail to contain the required information (incomplete). For returns filed before January 1, 2011, the penalty is \$10 per member for each month or part of the month the return is late or incomplete, not to exceed five months. For returns with original due dates on or after January 1, 2011, for taxable years beginning on or after January 1, 2010, the penalty is \$18 per member for each month or part of the month that the failure continues, but not to exceed 12 months. The maximum penalty is \$216 per member. We impose the late filing penalty in addition to the delinquent penalty (R&TC Sections 18633.5 and 19172).

**Late Filing Penalty – S Corporation** We impose a late filing penalty if an S corporation fails to file a tax return by the original or extended due date for tax returns with original due dates on or after January 1, 2011, for tax years beginning on or after January 1, 2010. (This penalty is also known as the per shareholder penalty). We also impose the late filing penalty for incomplete tax returns. The late filing penalty is \$18 per shareholder, for each month or fraction of the month the return is late (or incomplete), to a maximum of 12 months. We impose the Late Filing Penalty in addition to the Delinquent Penalty (R&TC Section 19172.5).

**Underpayment and Monthly Penalty – Corporation and Partnership** We impose a penalty if you do not pay the total amount due shown on your entity's tax return by the original due date. The penalty is 5 percent of the unpaid tax, plus 0.5 percent of the unpaid tax for each month or part of a month it remains unpaid—not to exceed 40 months. The maximum penalty is 25 percent of the unpaid tax (R&TC Section 19132).

**Underpayment and Monthly Penalty – LLC** We impose a penalty if you do not pay your limited liability company's:

- Annual tax by the 15th day of the fourth month of its tax year.
- Fee or nonconsenting nonresident members' tax by the 15th day of the 4th month after the end of its taxable year.

The penalty is 5 percent of the total unpaid tax or fee (underpayment), plus 0.5 percent of the unpaid tax or fee for each month or part of a month it remains unpaid (monthly). The maximum penalty is 25 percent of the unpaid tax or fee (R&TC Section 19132).

**Large Corporate Understatement Penalty** For tax years beginning on or after January 1, 2010, we impose a penalty if your understatement of tax exceeds the greater of \$1,000,000 or 20 percent of the tax shown on your original tax return (R&TC Section 19138).

For tax years prior to 2010, we impose a penalty if you understated your tax by more than \$1,000,000 for any tax year that begins on or after January 1, 2003. The penalty equals 20 percent of the total understatement of tax (R&TC Section 19138).

**Dishonored Payment Penalty** We impose a penalty if your entity's financial institution does not honor a payment you make to us by check, money order, or electronic funds transfer. For a payment of \$1,250 or more, the penalty is 2 percent of the payment amount. For a payment less than \$1,250, the penalty is \$25 or the payment amount, whichever is less (R&TC Section 19134).

**50 Percent Interest-Based Amnesty Penalty** We impose a penalty because your entity had a past-due tax liability that qualified for tax amnesty, but it did not resolve its tax obligations. Go to [ftb.ca.gov](http://ftb.ca.gov) for more information. The penalty is equal to 50 percent of the interest that accrued on the balance from the original due date of the tax to March 31, 2005. You can file a claim for refund only on the grounds that the amount of the penalty was not properly computed by us (R&TC Section 19777.5(a)(1)).

**Post-Amnesty Penalty** We impose a penalty when your entity owes new or additional tax on a tax year that qualified for amnesty. The penalty is equal to 50 percent of the interest that accrued on the tax assessment from the original due date of the tax to March 31, 2005. You

can file a claim for refund of this penalty only on the grounds that the amount of the penalty was not properly computed by us (R&TC Section 19777.5(a)(2)).

**40 Percent Accuracy Related Penalty** For tax years that were eligible for tax amnesty (beginning before January 1, 2003), we may impose an accuracy-related penalty if you understated your entity's tax liability. The penalty is equal to 40 percent of the related underpayment (R&TC Section 19164).

## Fees

### Filing Fee

If we require your organization to file Form 199, it must pay a fee. The amount depends upon when it files Form 199 and it makes the payment (R&TC Section 23772).

#### The fee is \$10 if:

- Your organization files and pays by the original due date.
- Your organization files and pays after the original due date, but on or before the extended due date.

#### The fee is \$25 if:

- Your organization files by the original due date, but pays after that date.
- Your organization files and pays after the extended due date.

We do not apply the filing fee to the following tax-exempt organizations (R&TC Section 23701d):

- An exclusively religious organization.
- An organization controlled by a religious organization.
- A school.
- A public charity.

### Cost Recovery Fees

If we must take action to resolve your entity's filing and payment delinquencies, we charge cost recovery fees. These may include filing enforcement, collection, lien, or Federal Treasury Offset Program (FTOP) fees. They may also include fees to recover the cost of seizure and sale of property. (California R&TC Sections 19209, 19233, 19234, 19235, 19254, and 19376; Internal Revenue Code Section 6402(e); and California Government Code Sections 7174, 16583.1, 27361, 27361.3, and 27361.4).

### Other Penalties/Fees

#### Electronic Funds Transfer (EFT)

Once an entity remits an estimated tax or extension payment in excess of \$20,000 or has a total tax liability in excess of \$80,000 in any taxable year beginning on or after January 1, 1995, it must make all future payments, regardless of the taxable year or amount, through an electronic funds transfer. Payments made by other means will result in a penalty of 10 percent of the amount paid. For more information regarding this requirement, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **eft** or call 800.852.2753. (R&TC Section 19011)

For additional information about penalties and fees, refer to R&TC Part 10.2, Division 2, Chapter 4, Article 7 (R&TC Section 19131 *et seq.*). For more information, go to [ftb.ca.gov/forms](http://ftb.ca.gov/forms) and search for **FTB 1024, Penalty Reference Chart**.