



STATE OF CALIFORNIA  
**FRANCHISE TAX BOARD**  
**Legal Branch**  
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STEVE WESTLY  
Chair

CAROLE MIGDEN  
Member

STEVE PEACE  
Member

October 6, 2003

Information Letter: 20030287

\*\*\*\*\*

Dear \*\*\*\*\*;

The California Franchise Tax Board received your \*\*\*\*\* , letter concerning \*\*\*\*\* treatment of your mandatory Individual Retirement Account (IRA) distribution and an August 8, 2003, Los Angeles Times article entitled "State Says Banks Kept Millions from Taxes." Your letter asks whether \*\*\*\*\* is treating your IRA distribution correctly and whether they are classifying your distribution as an interest paid deduction.

Mandatory distributions from an IRA and interest paid on accounts are includable in the California taxable income of a California resident. Likewise, the amount of interest paid on accounts by a financial institution may qualify for an interest paid deduction for that financial institution. However, there is no equivalent deduction for financial institutions that make mandatory distribution to a client from the client's IRA.

As to \*\*\*\*\* treatment of your IRA distributions, the Franchise Tax Board is prohibited by law to disclose taxpayer's information to an unauthorized third party. Therefore, we may not disclose how \*\*\*\*\* treats your and other IRA distributions for tax purposes. Please be assured, however, that the information in the article does not pertain to IRA accounts and has no impact upon your personal account.

If you have any further questions or concerns, you may contact me at (916) 845-4581.

Sincerely,

Shane Hofeling  
Tax Counsel  
California Franchise Tax Board