



Financial Institution Record Match

General Information Booklet

Provides background information, participant instructions, required forms, and media specifications to exchange data with the Franchise Tax Board.

State of California
Franchise Tax Board

Reference Material

Draft Publication for Use at Interested Parties Meeting

August 16, 2011

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Franchise Tax Board FIRM: Mail Stop A-482 Attn: Pam Laffitte PO Box 942840 Sacramento, Ca 94240-0040	
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Introduction

Legislation SB 86 (Stats 2011, ch. 14), chaptered March 24, 2011, provides the Franchise Tax Board (FTB) with the authority to operate and administer a Financial Institution Records Match (FIRM) program, that utilizes automated data exchanges to the maximum extent feasible to identify assets of delinquent tax debtors held at financial institutions doing business in California. FIRM is an enforcement tool used to collect personal and business entities delinquent taxes and non-tax debts. FIRM matches taxpayers and business entities with delinquent debts to accountholders financial assets.

The FIRM data exchange is generally intended to be similar to the Financial Institution Data Match (FIDM) program that is operated for purposes of child support collection (utilizing a Method 1 or Method 2 secured data exchange process), except that the statute uses the term "delinquent tax debtors" as defined by California Revenue and Taxation Code (R&TC) Section 19266.

Background

Under R&TC Section 19266, the FTB is authorized to implement a quarterly data match process to match specified debtor data against accountholder information of financial institutions doing business in California. The FTB has entered into a contract with (Vendor Name) (the FIRM Program Administrator) to manage the day-to-day operations of the FIRM program, the quarterly data exchange and provide customer service and education, outreach services to financial institutions regarding the FIRM program.

General Provisions

FTB's Authority

R&TC Section 19266.

The FTB may institute civil proceedings to enforce this section R&TC Section 19266(f).

Definitions Under R&TC, Section 19266(h)

"Account" means a demand deposit account, share or share draft account, checking or negotiable withdrawal order account, savings account, time deposit account, or money market mutual fund account regardless of whether the account bears interest. R&TC Section 19266 (h)(1)

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"*Financial institution*" means:

- (A) A depository institution, as defined in Section 1813(c) of Title 12 of the United States Code.
- (B) An institution-affiliated party, as defined in Section 1813(u) of Title 12 of the United States Code.
- (C) A federal credit union or state credit union, as defined in Section 1752 of Title 12 of the United States Code, including an institution-affiliated party of a credit union, as defined in Section 1786(r) of Title 12 of the United States Code.
- (D) A benefit association, insurance company, safe deposit company, money-market fund, or similar entity authorized to do business in this state. R&TC Section 19266 (h)(2)

"*Delinquent tax debtor*" means any person liable for any income or franchise tax or other debt referred to the Franchise Tax Board for collection as imposed under Part 5 (commencing with R&TC Section 10701), Part 10 (commencing with R&TC Section 17001), Part 10.2 (commencing with R&TC Section 18401), or Part 11 (commencing with R&TC Section 23001), including tax, penalties, interest, and fees, where the tax or debt, including the amount, if any, referred to the Franchise Tax Board for collection remains unpaid after 30 days from demand for payment by the Franchise Tax Board, and the person is not making current timely installment payments on the liability under an agreement pursuant to R&TC Section 19006. R&TC Section 19266 (h)(e)

Disclosure

Unless otherwise required by law a financial institution is prohibited from disclosing to a depositor or accountholder the name, address, social security number, or other identifying information of that delinquent tax debtor that has been received or furnished to FTB. R&TC Section 19266(d).

The FIRM program will not be subject to any limitation set forth in the California Government Code Section 7560 et seq (California Right to Financial Privacy Act). However, any use of the information provided pursuant to R&TC Section 19266 for any purpose other than the collection of franchise or income tax or other non-tax debts referred to the FTB for collections shall be a violation of R&TC Section 19542.

Protection for Financial Institutions

R&TC Section 19266(e) states a financial institution shall incur no obligation or liability to any person arising from any of the following:

1. Furnishing information to FTB as required by this section.
2. Failing to disclose to a depositor or accountholder that the name, address, social security number or other taxpayer identification number, or other identifying information of that delinquent tax debtor was included in the data exchange with us required by this section.
3. Any other action taken in good faith to comply with the requirements of this section.

Noncompliance Penalty

R&TC Section 19266(g) provides for penalties for noncompliance as follows:

Any financial institution that willfully fails to comply with the rules and regulations promulgated by the FTB for the administration of delinquent tax collections, unless it is shown to our satisfaction that the failure is due to reasonable cause, shall be assessed a penalty upon notice and demand, and collected in the same manner as tax. The penalty imposed under this section shall be in an amount equal to fifty dollars (\$50) for each record not provided, but the total imposed on that financial institution for all such failures during any calendar year shall not exceed one hundred thousand dollars (\$100,000).

Temporary Exemptions:

The FTB is authorized to exempt a financial institution from the requirements of R&TC Section 19266 if the FTB determines that the financial institution participation would not generate sufficient revenue to be cost effective for the FTB. R&TC Section 19266(a)(2)(c).

Financial institutions holding less than 250 open accounts would qualify for temporary exemption under R&TC Section 19266(a)(2)(c). However, once the financial institution holds 250 or more open accounts, FTB expects the financial institution to submit a FTB FIRM Agreement to the FIRM Program Administrator to begin participation in the exchange process.

If there are other circumstances warranting a temporary exemption under R&TC Section 19266(a)(2)(C), or if there are extraordinary circumstances, FTB will consider such requests. We request that you provide sufficient detail for FTB staff to evaluate your request.

Notices or request for temporary exemptions should be submitted to the FIRM Program Administrator on the Temporary Exemption/Suspension Form. See Appendix B for FTB XXXX, Temporary Exemption/Suspension Request.

Temporary Suspension:

The FTB is authorized to temporarily suspend a financial institution from the requirements of R&TC Section 19266 if the financial institution provides the FTB with a written notice from its supervisory banking authority that it is determined to be undercapitalized, significantly undercapitalized, or critically undercapitalized as defined by FDIC Regulation 325.103(b)(3), (4), and (5) or NCUA Regulation 702.102. The notice provided pursuant to this subparagraph shall be subject to the protections of R&TC Section 19542. R&TC Section 19266(a)(2)(D). However, once the determination is removed by the supervisory banking authority and no longer applies, FTB expects the financial institution to submit a FIRM Agreement to the FTB Program Administrator to begin participation in the exchange process.

Notices for temporary suspension, along with accompanying documentation, should be submitted to the Program Administrator on the Temporary Exemption/Suspension Request. See Appendix B, for FTB XXXX, Temporary Exemption/Suspension Request.

FIRM Agreement and Data Match Procedures

Financial institutions doing business in the state of California must enter into a FIRM agreement with the FTB to conduct a quarterly data match of their accountholders. See Appendix A, for FTB XXXX, Financial Institution Record Match (FIRM) Agreement.

Data matches are done by either one of the two following methods using the data specifications provided in this document.

To begin, a financial institution must enter into a FIRM Agreement and select a data match method. The Agreement sets forth confidentiality requirements, data format specifications and requirements, and requires financial institutions to conduct the data match process as either a Method 1 or Method 2 participant.

Method 1

The financial institution submits a file of all their open accounts to the FIRM Program Administrator via a secured internet file transfer application for the first quarter of participation in a calendar year. For the subsequent quarters, the Method 1 file may be either an Update File containing only accounts opened, closed, or changed during a particular quarter or an All Accounts File. Submitted files are matched against the FTB Debtor File by the FIRM Program Administrator.

Under R&TC Section 19266, financial institutions should select Method 1 if they do not have the technical ability to process the data exchange or the ability to employ a third party data processor to process the data exchange.

Method 1 Reporting “No Updates”

If the Method 1 update selection process results in “No Updates” for a particular quarter, send an email with the following information to the FIRM email address below. Do not submit a file if there are “No Updates.”

- Method type
- Quarter
- Institution FEIN
- Contact person
- Contact person phone number
- Contact person email address

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- Transmitter name

FIRM email address: (To be determined)

Method 2

The financial institution retrieves a downloaded debtor file (the FTB Inquiry File), which can be secured via an internet file transfer application. The financial institution matches the file against all open accounts for a particular quarter and submits a file of matched records to the FIRM Program Administrator via a secured internet file transfer application.

Method 2 Reporting “No Matches”

If the Method 2 match process results in “No Matches,” send an email with the following information to the FIRM email address below. Do not submit a file if there are “No Matches.”

- Method type
- Quarter
- Institution FEIN
- Contact person
- Contact person phone number
- Contact person email address
- Transmitter name

FIRM email address: (To be determined)

Participation Schedule

To exchange files, your financial institution must:

- Meet the due date. We conduct exchanges on a quarterly basis. See **Schedule** for due dates.
- Use the Secured Web Internet File Transmission service.
- Use required layouts. The record layout and specifications are located on pages 9 through 25.
- Engage a transmitter to conduct the data exchange on behalf of the financial institution.

Note: The residence of the accountholder of a financial institution is irrelevant for the purpose of conducting the data match.

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Schedule (This schedule includes the distribution date for the Method 2 Inquiry File and due date to submit the Method 1 and 2 Matched Files.)

Quarter	Quarter Months	Quarter Ending Date	Inquiry File Available (Method 2)	Method 1 & 2 Matched Files Due
1 st Qtr	Jan, Feb, Mar	Mar 31	Apr 15	May 30
2 nd Qtr	Apr, May, Jun	Jun 30	July 15	Aug 30
3 rd Qtr	Jul, Aug, Sep	Sep 30	Oct 15	Nov 30
4 th Qtr	Oct, Nov, Dec	Dec 31	Jan 15	Feb 28

If the due date falls on a weekend or holiday, the due date becomes the next business weekday.

The above Schedule may be modified at any time by the FTB. The FIRM Program Administrator will provide written notice to the financial institutions prior to any change in the schedule.

Media Type

The FIRM Program Administrator will provide participants the FTB Inquiry File through a Secured Web Internet File Transmission application. The FIRM Program Administrator does not accept data provided on tape cartridge, CD diskette, or written reports.

Files Submitted to FTB by Participants

To submit a file using the Method 1 AllAccounts File, the Method 1 Update File, or the Method 2 Match File follow these specifications unless specifically stated otherwise:

- All records must be a fixed length of 420 bytes (tape positions).
- All records, except the header and trailer labels, must be in fixed block format, not variable. The number of records within a block must be constant in every block, except the last block, which may be shorter.
- Records may not span blocks.
- All blocks must be even multiples of the record length which is 420 bytes. For example, if the records are blocked at 50 records per block, the block size must be exactly 21,000 bytes.
- A block must not exceed 32,760 bytes (tape positions).

Internet Data Exchange

To submit Internet files, use the record layout provided on pages 9 through 28 and follow these filing procedures:

(Specifications to be provided at a later date by the FIRM Program Administrator)

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The Internet file naming convention is:

- **Financial institutions:** Use your financial institution's name (which can be abbreviated) and FEIN as the file name. If you send more than one file for a particular quarter, you may add an alpha character after the name and FEIN (sequential order: a, b, c, etc.).
- **Transmitters:** If the file only has data exchange information for one financial institution, use the financial institution's name (which can be abbreviated) and FEIN as the file name. If you send more than one file for a particular quarter, add an alpha character after the name and FEIN (sequential order: a, b, c, etc.).
- **Transmitters with multiple participants:** If the file has data exchange information for more than one financial institution, use your (the transmitter) business name (which can be abbreviated) and FEIN as the file name. If you send more than one file with multiple financial institutions, you may add an alpha character after your business name and FEIN (sequential order: a, b, c, etc.).
- The FIRM Program Administrator only accepts .txt and .zip files. The FIRM Program Administrator cannot accept self-extracting zipped files, which end with an .exe file extension.

File names are limited to 32 characters with no spaces between characters in the first name. File transfers will fail if the file name has spaces between the characters.

FIRM Program Contacts

Contact the FIRM Program Administrator to submit your file, Internet connections, or other information. (The FIRM Program Administrator's name and telephone number to be provided at a later date.)

Replacement Files

The FIRM Program Administrator requests the financial institution submit a data match replacement file if there were errors encountered while processing the original file. After the necessary changes are made, the financial institution will return the entire file to the FIRM Program Administrator for processing.

FIRM Record Layouts

The FIRM Record Layout portion of this booklet is considered confidential data between the Franchise Tax Board and financial institutions. This Record Layout has been removed from this booklet. Any request for this information should be made in written form, stating appropriate business need, and sent to:

Franchise Tax Board
FIRM: Mail Stop A-482
Attn: Pam Laffitte
PO Box 942840
Sacramento, Ca 94240-0040

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Common Data Match Errors

The FTB requires financial institutions to verify the content of their data match files to ensure the accuracy of the data and reduce the need for the FTB to return files for correction. Verification is especially important to financial institutions that have their reports prepared by a reporting agent.

The FTB returns rejected files with an explanation to the financial institution or the transmitter for replacement. The financial institution must correct the errors and resubmit the file as instructed in the explanation.

To avoid errors during Internet filing, the financial institution must:

- Submit a revised FTB XXXX, Agreement Form when changing transmitters.
- Notify the FIRM Program Administrator when there is a new contact for the financial institution.
- Use specified file formats in the Record Layout Format. Files submitted through the FIRM Internet process must be text files ending with a file extension of .txt, or ending with .zip if the file is compressed.
- Zip large files to avoid "Run Time Error" results. Zipped files naming conventions must end with a file extension of .zip if the file is compressed. We cannot accept self-extracting zipped files, which end with an .exe file extension.

Reimbursement to Financial Institutions

According to R&TC, Section 19266(i), a financial institution may be entitled to reimbursement for providing account information to the FTB. Financial Institutions may be reimbursed for:

- A one-time start-up cost, no more than \$2,500.
- Data matching other than one-time start up costs, no more than \$250 per calendar quarter.

Procedure for Requesting Reimbursement

Financial institutions must submit a completed FIRM Reimbursement Request Form for their initial start-up costs and quarterly data matching within XX days of the end of the calendar quarter. Thereafter, financial institutions must submit a FIRM Reimbursement Request Form within XX days at the end of the calendar quarter. Financial institutions shall be reimbursed for their actual cost for performing the data match as outline in the R&TC, Section 19266. See Appendix C, for FTB XXXX, Reimbursement Request.

Appendix A

Due Date to Make Program Changes and to Submit a New FIRM Agreement, and Participation Schedule

The due date to make program changes (e.g. the financial institution's authorized contact, IP address, or transmitter) and to submit a new FIRM Agreement to the FIRM Program Administrator is XX days prior to the data exchange due date. To receive a Method 2 Inquiry File according to the schedule, we must receive the Agreement Form prior to the FTB Inquiry File date shown below.

Quarter	Quarter Months	New Agreement Form Due	FTB Inquiry File Available (Method 2)	Method 1 & 2 Data Due Date
1st Qtr	Jan, Feb, Mar	XXXX	Apr 15	May 30
2nd Qtr	Apr, May, Jun	XXXX	July 15	Aug 30
3rd Qtr	Jul, Aug, Sep	XXXX	Oct 15	Nov 30
4th Qtr	Oct, Nov, Dec	XXXX	Jan 15	Feb 28

The above Schedule may be modified at any time by the FTB. FTB will provide written notice to the financial institutions prior to any change in the schedule.

Financial Institution Contact Information

Complete the Financial Institution Name line in this section of the form with the exact name that you will enter as the institution name in the "A" Record of the Method 1 or Method 2 file that you will submit to us. When one institution is submitting a separate file for each of its money market mutual funds, each fund should be treated as if it is a separate financial institution by filing an Agreement Form for each fund with the reporting institution shown as the transmitter.

Generally, we use the organization street address for mailing, unless a different address is provided as the mailing address.

Transmitter Information (If Applicable)

Enter the requested information about the organization that will participate in the data exchange (Method 1 or Method 2) on behalf of your organization. The Method 2 Inquiry File will be available via the Internet to your transmitter unless you contact the FIRM Program Administrator to make other arrangements.

Do not enter your organization on the form as its own transmitter, unless you are also submitting a separate file on behalf of another financial institution. In this instance, your organization would be entered as the transmitter on both Agreement forms. Enter a street address for your transmitter, not a PO Box.

Reimbursement Requests and Other FTB Contact Information

To be provided at a later date.

Mail Reimbursement Forms to FTB Program Staff at

To be provided at a later date.

FTB FIRM Program Contact

Tracy Vaca
(916) 845-6580

Pam Laffitte
(916) 845-4974

Assistance

(Vendor Name), FIRM Program Administrator operates a call site Monday through Friday to answer questions related to the Financial Institution Data Match Process.

Telephone: (xxx) xxx-xxxx

Hours of Operation: 7 a.m. to 4:00 p.m. Email

Address: FIRMhelp@xxxxxx



Financial Information Record Match (FIRM) Temporary Exemption/Suspension Request

Financial Institution's Name:	Federal Employer Identification Number (FEIN):
Street Address:	Telephone Number: Fax:
City: ZIP:	Mailing Address (if different from street address): Street address: City: ZIP:
Attn:	Attn:

Information about Your Financial Institution

Type of Action Submitted:

_____ 1. Temporary Exemption (Less than 250 accounts). My institution qualifies for a temporary exemption because it has less than 250 open accounts: _____

_____ 2. Temporary Exemption (Other). My institution is requesting a temporary exemption because it meets the requirements of R&TC, Section 19266(a)(2)(C). Please provide sufficient detail.

_____ 3. Temporary Suspension. My institution qualifies for a temporary suspension because it has been classified as undercapitalized, significantly undercapitalized, or critically undercapitalized its supervisory banking authority. Please provide the notice from R&TC, Section 19266(a)(2)(D).

_____ 4. As part of efficient tax administration, the FTB will take into consideration extraordinary circumstances for not complying with the FIRM data exchange program. Explain the extraordinary circumstance of your request as to why you are unable to participate in the data exchange for the upcoming quarter.

FIRM Declaration

Under penalty of perjury of the laws of the State of California, I declare that I have examined this form, including any accompanying statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Name (please print): _____ Title: _____

Signature: _____ Date: _____

Financial Information Record Match (FIRM) Temporary Exemption/Suspension Request

Temporary Exemptions

The Franchise Tax Board (FTB) is authorized to exempt a financial institution from the requirements of R & TC Section 19266 if the FTB determines that the financial institution participation would not generate sufficient revenue to be cost effective for the FTB. R&TC, Section 19266(a)(2)(C).

Financial institutions holding less than 250 open accounts would qualify for temporary exemption under R&TC Section 19266(a)(2)(C). However, once the financial institution holds 250 or more open accounts, FTB expects the financial institution to submit a FTB Firm Agreement to the FTB Program Administrator and to begin participating in the exchange process.

If there are other circumstances warranting a temporary exemption under R&TC, Section 19266(a)(2)(C), or if there are extraordinary circumstances, FTB will consider such requests. We request that you provide sufficient detail for FTB staff to evaluate your request.

Temporary Suspensions

The FTB is authorized temporarily suspend a financial institution from the requirements of R&TC, Section 19266 if the financial institution provides the FTB with a written notice from its supervisory banking authority that it is determined to be undercapitalized, significantly undercapitalized, or critically undercapitalized as defined by FDIC Regulation 325.103(b)(3), (4), and (5) or NCUA Regulation 702.102.

The notice provided pursuant to this subparagraph shall be subject to the protections of R&TC Section 19542. R&TC Section 19266(a)(2)(D). However, once the determination is removed by the supervisory banking authority and no longer applies, FTB expects the financial institution to submit a FTB Firm Agreement to the FTB Program Administrator and to begin participating in the exchange process.

Where to Send the Temporary Exemption/Suspension Form

Complete and sign this form. Fax it to (XXX) XXX-XXXX or mail to: FRANCHISE TAX BOARD, FIRM, (Vendor Name) FIRM Program Administrator, PO Box XXXXXX, XXXXXXXXXXXX, CA XXXXXXXXX.

Form Instructions

Your institution's name

Enter your institution's name exactly how it appears on the FIRM Agreement form (FTB XXXX) and on the file you will transmit when you begin to participate in the FIRM data match process.

Contact/Name

Provide the name and phone number of the person within your financial institution designated to answer questions about FIRM.

Type of Action Submitted

Answer one of the four categories and provide sufficient information for item 2, 3 or 4 (if applicable).

FIRM Declaration

An authorized officer of your financial institution must sign the form.

Assistance

The (Vendor Name) FIRM Program Administrator operates a call-site Monday through Friday from x:00 am to xx: pm to answer questions related to FIRM. Call the FIRM Program Administrator at XXX.XXX.XXXX or email FIRMhelp@.