

**SUMMARY OF FIRST INTERESTED PARTIES MEETING
HELD AUGUST 16, 2011
REGULATION § 19266, FINANCIAL INSTITUTION RECORD MATCH**

I. Administration:

On August 16, 2011 at 10:00 a.m., members of the public attended an interested parties meeting at the Franchise Tax Board's (FTB's) office in Sacramento to discuss potential regulatory guidance for the Financial Institution Record Match (FIRM) under Revenue and Taxation Code section 19266. Parties attended in person and by telephone. Phone participants introduced themselves. The session was tape recorded for reference but there has been no attribution of comments and no transcript created.

Senior Tax Counsel Kenneth (Ken) Davis explained the purpose of the meeting was to elicit input as to possible topics to consider for FIRM regulatory guidance under Revenue and Taxation Code section 19266. He listed the documents available as handouts: 1) notice of meeting; 2) discussion topics; 3) draft FIRM Booklet, including the FIRM Instructions, FIRM Agreement, and Temporary Exemption/Suspension Form; and 4) a Power Point presentation entitled "FIRM Overview." Parties were told they had until August 22, 2011 to submit written comments, and that a summary of the interested parties meeting would be posted online.

II. FIRM Presentation and Questions

Collection Advisory Team Manager Deborah Barrett and Analyst Leslie Yorston first provided a Power Point presentation on the proposed processes and procedures relating to the FIRM data match between financial institutions and the FTB, which is scheduled to begin April 15, 2012.

Deborah Barrett then received questions. An attendee requested additional information as to the Order to Withhold (OTW) process as it relates to financial institutions and FIRM. Deborah Barrett commented that once the first FIRM data exchange is completed in April and May, 2012, the FTB will begin to issue OTWs sometime in June 2012. She commented that the OTW process with respect to financial institutions will remain unchanged. She also addressed the number of days that financial institutions had to comply with an OTW issued by the FTB. Deborah Barrett further commented that there was a 10 day waiting period before remitting funds to the FTB. She also stated that when the FTB issues an OTW to a financial institution, the OTW is issued for the full liability due at that date and time.

Another question was received as to the projected number of financial institutions that would be participating in the firm data match process. Deborah Barrett responded that approximately 800 financial institutions would be participating.

III. Regulatory Discussion

Ken Davis then discussed and invited comments relating to those topics listed in the notice of meeting: (a) the process for financial institutions to retrieve the FTB inquiry file and match against account records; (b) an optional process for qualified financial institutions to send account holder records to FTB for matching; (c) a temporary exemption process; (d) a temporary suspension process; (e) reimbursement procedures; (f) general terms of a FIRM agreement; (g) provisions to modify the FIRM data match schedule; and (h) an operative date for the regulation.

An attendee suggested that the draft FIRM Agreement be changed to an Election Form, which would eliminate the need for the agreement to be reviewed by the financial institution's legal department and create a more efficient process. FTB staff agreed with this suggestion. An attendee had also suggested that FTB staff remove the "under penalty of perjury" language from the draft Temporary Exemption/Suspension Form and that the signature of an officer of the financial institution should be sufficient. FTB staff also accepted this suggestion.

Ken Davis stated that FTB staff was working with State Controller's Office (SCO) staff to determine the most efficient method for the financial institutions to invoice and be reimbursed for start-up costs and quarterly matching costs. He commented that FTB staff and the SCO felt that an annual invoice (based on the State's fiscal year) presented by each financial institution would create an efficient reimbursement method for both the State and for financial institutions. An attendee responded that this was an efficient method.

FTB staff then received questions. An attendee inquired whether the FIRM and Financial Institution Data Match (FIDM) programs would ever be merged into one program so that financial institutions would only have to transmit one data file. FTB staff stated that no discussions have been held on this issue. An attendee inquired as to the status of the proposed FIRM-type legislation with the Board of Equalization, and FTB staff responded that they did not know the current status; however, FTB staff wanted to focus their efforts on successful implementation of FIRM at FTB.

An attendee inquired if FTB had considered joining the Levy Task Force at the Department of Child Support Services, and FTB staff responded that the suggestion had been forwarded to FTB senior management. An attendee inquired whether the data exchanges between the financial institutions and FTB would be encrypted, and FTB staff responded that the program documents required that all transmissions be encrypted.

IV. Subsequent Action

Following the first interested parties meeting, draft language of the proposed regulation was prepared for the second interested parties meeting. The draft language will be posted on FTB's website.

The FIRM Project Team is in the process of preparing another draft of the FIRM program documents. The team plans to have new draft documents available before the second interested parties meeting. The new draft documents will be posted on FTB's website.