Pending Board Approval

TAXPAYERS' BILL OF RIGHTS HEARING
FRANCHISE TAX BOARD
MINUTES
December 4, 2006

The Franchise Tax Board met in open session at 1:30 p.m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, CA. Present were Hon. Steve Westly, Hon. John Chiang, and Hon. Michael C. Genest. During the hearing, the Controller was represented by Deputy Controller Marcy Jo Mandel.

Franchise Tax Board Staff Participating: Selvi Stanislaus, John W. Davies, Patrick Kusiak, Brian Putler, and Debbie Newcomb.

Others Participating: Richard E. V. Harris, Attorney at Law; Gina Rodriquez, Spidell Publishing; Lenny Goldberg, California Tax Reform Association; Roland Boucher, United Californians for Tax Reform; William Lowell, former FTB employee; David Doerr, California Taxpayers' Association; Vicki Mulak, California Society of Enrolled Agents;

Taxpayers' Bill of Rights Hearing

Deputy Controller Mandel read the opening statement regarding this annual hearing required by law and introduced Franchise Tax Board staff members who were present and able to respond to questions.

Roland Boucher

Mr. Boucher, representing United Californians for Tax Reform, provided written material and oral comment to the Board on the following matters:

Reduce the number of complex tax returns by:

- Repealing the $87 personal exemption and
- Raising the standard deduction up to $6,500

Mr. Boucher suggested the Franchise Tax Board provide information on the website for free tax filing

William Lowell

Mr. Lowell provided oral comment to the Board on the following matters:

The State loses $6.5 billion per year because of insufficient audit staff. Mr. Lowell stated his concern about the off-shore outsourcing and what effect it has on California's revenues – losing living wage jobs for people. He also indicated his concern on

minimum wages versus living wages, corporations back-dating CEO benefits, dollar amounts provided to inmates upon release from prison as well as rehabilitation of inmates, and the southern border problem of California.

David Doerr

Mr. Doerr, representing the California Taxpayer's Association, expressed his desire to have Franchise Tax Board meetings set at the end of each year for the upcoming year – to follow the same practice as the State Board of Equalization. This would give the public more time to plan accordingly.

Gina Rodriquez

Ms. Rodriguez, representing Spidell Publishing, presented written materials and provided oral comment to the Board on the following issues:

- The 50% interest penalty – left over from last year. This penalty does not meet the government's objectives of penalty imposition.
- Need for conformity with respect to a custodial parent and whether or not they can claim the dependency exemption.
- Registered domestic partners – SB 1827. Ms. Rodriquez recommended that the AGI limitation rule established in that legislation be amended and thanked staff for holding an interested parties meeting on this topic.

Richard Harris

Mr. Harris addressed the issue of the Spanish language aspects of the FTB website. He applauded the website and indicated he noticed a tremendous improvement from last year.

FTB indicates the litigation rosters are now archived and accessible on the website. Mr. Harris stated after a quick attempt he was unsuccessful in locating the rosters.

Mr. Harris indicated that staff responses to suggestions and comments made during a Taxpayer Bill of Rights hearing are not timely.

Mr. Harris suggested that responses he received were non-responsive.

Mr. Harris reiterated a previous request to have manuals and reports available online.

Mr. Harris requested that briefs filed by or on behalf FTB be made available on FTB's website.

Mr. Harris reiterated and elaborated on his previous request to allow a taxpayer to treat a protest as 'deemed denied.'

Mr. Harris expressed support for Mr. Doerr's recommendation to provide the public with more notice of upcoming FTB meetings.

Vicki Mulak

Ms. Mulak, representing the California Society of Enrolled Agents, submitted written materials and commented regarding nonconformity to federal law and the problems that result for taxpayers:

- California taxpayers believing that Congress has given them certain benefits only to find out it's only true at the federal level.
- California tax return schedule of differences that keep increasing with the passage of federal tax bills.
- California and federal basis differences that result when contribution levels and deduction levels do not match.
- Complex tax return preparation; formal definition of child and the differences in divorce decrees and who claims children.

Lenny Goldberg

Mr. Goldberg, representing the California Tax Reform Association, congratulated the Board members for supporting the continuation of ReadyReturn, but asked that the CalFile system be strengthened. He also welcomed enhanced access of taxpayers' information, consistent with serious security issues.

With respect to the tax gap, in terms of corporate tax sheltering, Mr. Goldberg asked staff to take a serious and more systematic look at the extent to which the M-3 forms are filed and to report on the value of that information.

Mr. Goldberg expressed support for legislation that would reduce the filing burden for reporting wages of domestic workers.

Mr. Goldberg suggested it would be extremely helpful to provide quicker information, or the legislative analysis regarding complex tax bills on the FTB website.

Debbie Newcomb, FTB Taxpayer Advocate's Office, advised the Board that one written comment was submitted for the record by William Taggart, Law Offices of Taggart & Hawkins.

The hearing adjourned at 3:22 p.m.

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Board Liaison Date