

**Franchise Tax Board Meeting
September 8, 2011
Financial Institution Record Match (FIRM)
Informational Item**

The Financial Institution Record Match (FIRM) was enacted March 24, 2011 (SB 86, Stats. 2011, ch. 14). This act establishes authority for the Franchise Tax Board (FTB) to match FTB debtor files and financial institution customer records. FIRM will enable FTB, in a timely and efficient manner, to identify and issue levies on previously unknown deposit accounts held by delinquent debtors to collect outstanding income tax and non-tax debts.

- FIRM is estimated to increase revenue for the State of California by \$37 million beginning with fiscal year 11/12 and by \$100 million in the next three fiscal years.
- The chaptered FIRM legislation adds Revenue & Taxation Code sections 19266 and 19560.5. It requires the Franchise Tax Board to operate a financial institution record match system utilizing automated data exchanges with all financial institutions doing business in California.
- The types of financial institutions that will participate in the FIRM program are banks, credit unions, insurance and brokerage companies.
- The planned implementation of FIRM is April 2012.

FIRM Administration

Financial institutions participating in the FIRM program will be required to conduct a quarterly data match of their account holders. The FTB has prepared forms and instructions that set forth data format specifications as well as confidentiality and data exchange protection requirements.

FIRM Process

FTB will create a debtor file that will be matched against the customer records of financial institutions doing business in California. FTB plans to engage a vendor to facilitate the data match process with the financial institutions and to transmit the matched data back to FTB.

The first debtor file created by the FTB for purposes of matching debtor records to financial institution accountholder records is limited to 600,000 tax debtor records. Each quarter thereafter, an additional 600,000 tax debtor records can be added.

Reimbursement Process

Financial institutions may be reimbursed for a one-time start up cost of \$2,500 and \$250 every quarter for the data match process.

Temporary Exemption

The FTB is authorized to temporarily exempt a financial institution from the FIRM participation if FTB determines that the financial institution's participation would not generate sufficient revenue to be cost effective.

Temporary Postponement

Financial institutions may postpone their participation in the FIRM process if the financial institution provides a letter from its supervisory banking authority stating that the financial institution is undercapitalized according to financial regulations. Once the condition no longer applies, the financial institution will begin participation in the FIRM exchange process.

Non Compliant Penalty

FTB is authorized to apply a non-compliant penalty for a financial institution that willfully fails to comply in the FIRM process. The non-compliant penalty is \$50 for each data record not provided and shall not exceed \$100,000 in any calendar year. FTB will work with the financial institutions closely to avoid this situation.

FIRM Benefits

- Improve efficiency of collection operations.
- Increase and accelerate revenue.
- Reduce outstanding receivables.