

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

The Financial Institution Record Match (FIRM) program was enacted March 24, 2011 (SB 86, Stats. 2011, ch. 14). Sections 19266 and 19560.5 were added to the Revenue and Taxation Code, which authorizes the Franchise Tax Board (FTB) to match FTB tax and non-tax debtor files referred to FTB for collection (collectively, "delinquent debtor files") against accounts held at financial institutions (banks, credit unions, insurance and brokerage companies) doing business in California.

Revenue & Taxation Code section 19266 requires FTB to promulgate rules or regulations necessary to implement the provisions of this new law that include the following:

- A structure by which financial institutions shall receive from FTB the delinquent debtor files to match against its own list of accountholders.
- An optional structure by which financial institutions without the technical ability to process the data exchange may forward a list of their accountholders to the FTB and then FTB will match that list against the delinquent debtor files.
- Authority for the FTB to temporarily exempt a financial institution from FIRM participation if the FTB determines that the financial institution's participation would not generate sufficient revenue to be cost effective.
- A process by which financial institutions may be temporarily suspended from FIRM participation if the financial institution is undercapitalized according to financial regulations.

On July 25, 2011, FTB hosted a FIRM Advisory Workshop. The invitees included the financial institution trade associations. The purpose of this workshop was to obtain input from the financial institutions as to the steps FTB is taking to implement the FIRM statutory provisions and to mitigate potential impacts to the financial institutions. FTB provided the Advisory Workshop participants with the draft FIRM documents to review and provide feedback.

On August 16, 2011, FTB held the first interested parties meeting to discuss FIRM processes, procedures, and the necessary components of the FIRM regulations. FTB staff is currently developing draft FIRM regulations that will be distributed in advance of a second interested parties meeting, which is tentatively scheduled for September 27, 2011.

Once comments with respect to the draft regulations are received and evaluated and revisions have been made to the draft regulations, staff hopes to be in a position to submit proposed regulations to the Board at its next meeting and request permission to proceed to the formal regulation process under the Administrative Procedures Act.