

**FRANCHISE TAX BOARD
MINUTES
NOVEMBER 26, 2002**

The Franchise Tax Board met in open session at 9:30 a.m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, California. Present were Hon. Kathleen Connell, Hon. John Chiang, and Annette Porini, representing Hon. B. Timothy Gage.

Franchise Tax Board

Staff Participating:

Gerald H. Goldberg, John W. Davies, Kathleen A. Andleman, Brian Putler, Caglar Caglayan, Debie Petersen, Lisa Crowe, Ed Campion, Pat Kusiak, Ben Miller, John Vranna Debbie Newcomb and Claudette Romo.

Others Participating:

Richard E.V. Harris, attorney; Dave Doerr, from the California Taxpayers' Association; Gina Rodriguez, from Spidell Publishing; Robert Naylor and Eric Miethke, from Nielsen, Merksamer; Lenny Goldberg, from Lenny Goldberg & Associates; Bill Harris, from Intuit; Roland Boucher, Representing California Senior Legislators; Chia-Chieh Chen, President, C&S Technology, Roger Dillon, representing Senator John Burton; and Greg Turner, representing the California Taxpayers' Association.

Item 1. - Approval of Board Minutes

The minutes of the October 1, 2002, Franchise Tax Board meeting, were unanimously approved.

Item 2. – E-Filing

After a presentation by staff, comments from members of the public, and consideration by Board members, Chair Connell made a two-fold motion. First, to direct FTB staff make Forms 540 2EZ, all 540As, and all 540s, including those with schedules or a federal 1040, free, direct electronic filing for the 2002 tax year filing season, or as soon thereafter as possible for a California filers; and that FTB staff report back to the Board no less frequently than quarterly on the progress of making those forms available electronically. Member Chiang seconded that Motion and it was passed. Further, Chair Connell made a Motion to direct FTB staff to use the most efficient, effective and state of the art practices and procedures, including employing practices to safeguard the privacy of taxpayers, available for the electronic filing of tax returns directly with FTB. Member Chiang seconded and that Motion was passed.

Item 3. – Legislative Matters

The following Legislative Proposals were approved 2-0 (Ms. Porini abstaining).

LP 03-3 Exempt Organizations/Bingo Gaming and other Activities

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- LP 03-12 AB 1115 Clean-Up
- LP 03-24 Water's-Edge Election Procedures
- LP 03-27 Prior Federal Elections and New California Taxpayers

TBRP 02-02 Tax Treatment of Dividends Paid by Regulated Investment Companies

The Board took no position regarding the following proposals:

- LP 03-1 Child and Dependent Care Credit For Nonresidents And Part-Year Residents.
- LP 03-2 Exemption/Golden State Scholarshare Trust Technical Clean-Up.
- LP 03-9 Exclude LIFO Recapture Tax From Estimated Tax Underpayment for C Corporations Electing S Corporation Treatment.
- LP 03-11 Definition of "Taxable Year" For Calendar or Fiscal Years Beginning On Or After January 1, 2000.
- LP 03-16 Erroneous Refund Interest Computation Simplification and Conformity.
- LP 03-17 Exempt Organizations/Applications For Exemption Or Amending Articles of Incorporation.
- LP 03-28 Expanded Access to And Use of "New Hire" Registry Information.
- LP 03-29 Technical Changes.

The Board rejected the following proposals:

- LP 03-6 Deemed Denial Clean-Up.
- LP 03-22 Clarify Coordination of U. S. Source Income And Subpart F Water's Edge Partial Inclusion
- LP 03-23 Controller Foreign Corporations In Water's Edge Combined Report
- LP 03-25 Clarify Whether IRC Sections 108 And 382 Are Applied On A Pre- Apportionment or Post- Apportionment Basis.

The Board deferred action with respect to the following proposal:

- LP 03-14 Regulated Investment Companies Used To Avoid Tax

Item 4. – Regulation Matters

- a. Proposed Regulation 19032 (Audit Procedures) – Report on public hearing and request for permission to proceed with adoption of 15-day changes.

The Board deferred action on this proposed regulation.

- b. Proposed Regulations 17053.36 and 23636 (Joint Strike Fighter Wage Credit) and 17053.37 and 23637 (Joint Strike Fighter Property Credit) – Status report.

The Board felt they understood this proposed regulation and stated that they needed no status report.

- c. 2003 Rulemaking Calendar – Board approval.

The Board voted unanimously to approve the 2003 Rulemaking calendar.

Item 5. – Effect of Financial Hardship Measures on Personal Income Tax Collections

There was a discussion on this issue between the Board and FTB Staff with Eric Miethke of Nielsen Merksamer providing input.

Item 6. – Credit Utilization in a Unitary Group

Board discussion.

Item 7. – Child Support

The Board received an update regarding the contract award for the automated statewide child support system.

Item 8. – Executive Officer's Time

There was no discussion under this Agenda item.

Item 9. – Board Members' Time

The Board unanimously approved all of the following Employee Recognition Resolutions.

Joseph J. Abbott, Ernest E. Aldrich, Lewis Allen, Rosemary N. Bigham, Deborah K. Boston, Charlene A. Haight, Denise O. Hubbard, Ernie Lazar, Joan E. Lucas, Gloria J. McConnell, Linda V. Ollinger, Otilia A. Ortiz, Robert H. Spencer, Shirline K. Standley.

Item 10. – Taxpayers’ Bill of Rights Hearing

The meeting was adjourned at 12:35 p.m.

Board Secretary

Date