

FTB Notice 89-659
410:BRL:CN-89-659

Re: Revisions to Published Franchise Tax Board Positions -
Statutory Changes. FTB Notices 88-218, 88-315, 88-357, 88-711
and Legal Ruling 431 modified.

Various provisions of AB 802 (Stats. 1989, Ch. 1352) have
affected previously published Franchise Tax Board positions.
This Notice identifies some of the Legislative changes.

1. S Corporation Elections - FTB Notices 88-218 and 88-711
are modified. For income years beginning on or after
1/1/90, new §23801(a)(4) makes substantial changes in
election requirements. In addition, provisions relating
to terminations have been expanded, and inconsistent
state/federal status is no longer allowed for S
corporations not qualified to do business in California.
2. Short Period Returns - FTB Notice 88-315 is superseded.
New Revenue and Taxation Code §24632 has the effect of
~~requiring~~ a corporation to file a short period return
where a federal short period return is required. In
addition, the due date of the short period return is
extended.
3. Solar Energy Credits - the holding of FTB Notice 88-357
was adopted as declaratory of existing law by Act §163.
The statute should now be cited as authority rather than
the Notice.
4. Qualified Plan Contributions, Nonresident Partners - Legal
Ruling 431 modified. New Revenue and Taxation Code
§18408.5 (b) and (c) allow partnerships and S corporations
electing to file group returns to deduct deferred
compensation paid on behalf of electing nonresident
partners.

Taxpayers are reminded that ~~all~~ Franchise Tax Board published
positions are subject to change by subsequent statutory
changes, caselaw, and administrative determinations, including
federal caselaw, decisions and rulings where applicable. The
Franchise Tax Board will issue formal announcements
withdrawing or modifying previously published positions as
resources permit, but it is the duty of the taxpayer to be
aware of changes in underlying law.

DRAFTING INFORMATION

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NOTE: ((---)) = Indicates obsolete information.

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