

SUBJECT: FRANCHISE TAX BOARD AUDIT MANUALS

The Franchise Tax Board staff issues manuals to its audit personnel to provide guidance on department practices, summaries of pertinent law, and auditing techniques. While the manuals are available to the public on request, they are intended for Franchise Tax Board staff use only.

Questions have arisen as to the legal effect of these manuals. These manuals are merely audit guidance at the time written, and are not authoritative interpretations of law. Thus, statements in these manuals are not legally binding upon either taxpayers or the Franchise Tax Board.

Some audit manuals are substantially outdated. For example, the Multistate Audit Technique Manual (MATM), used in an examination of an apportioning corporation, was issued in January of 1986. The manual contains obsolete provisions, past practices which have been subsequently revised, and is out of date in its reflection of statutory, regulatory and case law. The Franchise Tax Board expects to revise the MATM in mid-1995. Copies of the revised MATM will be available to the public on request.

DRAFTING INFORMATION

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