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NOTE: ((***)) = Indicates confidential and/or proprietary information has been deleted. **Rev. 7/18**

8.1 INTRO-DUCTION	A claim for refund lets a taxpayer request a reduction of a current or prior year tax liability. Taxpayers' claims for refund (claims) are processed through a cooperative effort of the Business Entities Audit Technical Support (BES) and Audit Business Support (ABS), and the other areas of the Audit Division. All areas work closely together in managing the claims workload to ensure that claims are resolved according to the Taxpayer Bill of Rights (TBOR).
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8.1.1 Valid Claims for Refund	R&TC Section 19322 states that, "[e]very claim for refund shall be in writing, shall be signed by the taxpayer or the taxpayer's authorized representative, and shall state the specific grounds upon which it is founded." In addition, the amount being claimed must have been paid before a refund can be processed. If the amount of the refund being claimed has not been paid, we consider the informal claim provisions under CR&TC Section 19322.1 (See MAP 8.1.4 Protective and Informal Claims for Refund).

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A claim filed for or on behalf of a class of taxpayers must do all of the following:

- Be accompanied by written authorization from each taxpayer sought to be included in the class.

- Be signed by each taxpayer or taxpayer's authorized representative.

- State the specific grounds on which the claim is founded.

A claim for refund generally consists of written notification received from a taxpayer indicating an overpayment of tax. Claims come in a variety of forms. The following are examples of the most common types received by the department:

- The filing of an amended return (Form 100X, Schedule X or other applicable form) reporting tax liability less than what was paid upon the filing of the original return including estimate payments and payments made with an extension of time to file.

- A letter received from the taxpayer or representative indicating less tax due than what was paid (correspondence claim).

- Payment of a proposed assessment with or after the filing of a protest or appeal, accompanied by a clear statement that the taxpayer does not agree with the adjustment and a completed FTB Form 3581, Tax Deposit Refund or Transfer Request or other written statement asking us to convert the administrative deficiency dispute to an administrative claim dispute. See MAP 8.4.4 Conversion of Assessment to a Claim for Refund.

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8.1.2 Timely Filed Claims for Refund	In order for a refund to be issued, the claim must be timely filed. Effective January 1, 2000, in general, no credit or refund is allowed if the claim is filed after the later of: • Four years from the last day prescribed for filing the return, without regard to filing extensions (R&TC Section 19306). • The period ending four years from the date the return was filed, if filed within the extension time prescribed by R&TC Section 18567 or R&TC Section 18604 (R&TC Section 19306). • One year from the date of the overpayment limited to the amounts paid within that one-year period (R&TC Section 19306).

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	• Six months after expiration of a federal waiver (R&TC Section 19308 & R&TC Section 19065), this applies to all issues.
	• Within a statute of limitations specified by a state waiver (R&TC Section 19308 & R&TC Section 19309).
	• Within two years from the date of a final federal determination, if the refund results from the federal adjustments (R&TC Section 19311).
	• In the case of an Other State Tax Credit, within one year of payment of tax to the other state (R&TC Section 19311.5).
	If a claim is not timely filed, then a refund cannot be allowed. Send a letter (Claim Denial Letter) to the taxpayer explaining why the claim cannot be allowed. Once the untimely claims for refund are denied, the taxpayer is advised of appeal rights. Staff should also perform a cursory review of the issue to determine whether the claim would be allowed if it were timely filed. This allows an alternative position if the claim is later determined to be timely (for example, in the appeals process).
	In addition to the claim SOL, an analysis of the NPA SOL should be done early in the process. This will aid in managing time constraints and securing a waiver in the event the overall result of the examination is an assessment.
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8.1.3 Claims Withdrawn by Taxpayer	If the taxpayer files a claim for refund and subsequently decides to withdraw the claim, the auditor must follow the procedures as outlined below: 1. Request a written confirmation from the taxpayer of the claim withdrawal. 2. If the taxpayer does not provide a written confirmation, the auditor should send the taxpayer a letter confirming the request to withdraw the claim for refund. 3. In the PASS Notice window, select Claim Withdrawn by Taxpayer and enter the amount withdrawn in the tax field.

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4. Prepare Form 6213A (BETS), or Form 7053 (TI), to have the claim processed as an information return/correspondence. Under reason, add Claim withdrawn by taxpayer.

5. Make a comment in the entity's Taxpayer Folder to note that the claim was withdrawn.

Since the taxpayer is withdrawing the claim, it is **not** treated as a claim denial and the taxpayer does not receive appeal rights.

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8.1.4 Protective Claims and Informal Claims for Refund	MAP 8.1.4.1 Protective Claims MAP 8.1.4.2 Informal Claims for Refund Rev. 7/17
8.1.4.1 Protective Claims	At times, a taxpayer may file a claim for refund requesting $1 or more on a specific issue prior to the expiration of the statute of limitations and may write **Protective Claim** on the face of the claim for refund. These protective claims are often contingent on a future event such as an audit/protest/appeal, litigation, or legislation. The amount may not be determinable until after the SOL. The Revenue and Taxation Code does not expressly recognize a **protective claim for refund**. However, FTB will often announce specific procedures for filing protective refund claims pending the outcome of specific court cases. FTB will hold the claims and act on them after the court case is final or the event occurs. An example of this is in Public Service Bulletin 07-13. A valid claim for refund must be in writing, must be signed by the taxpayer or the taxpayer's authorized representative, and must state the specific grounds upon which it is founded (R&TC Section 19322). A claim for refund filed within the appropriate timeframe must be considered a valid claim for refund. Pursuant to FTB Legal Ruling 386, **claims clearly showing the taxpayer is requesting a refund, but are not specific enough for FTB to act on the claim in some cases** toll the statute of limitations until the claim can be perfected. As long as the FTB is apprised of the fact that the taxpayer is asserting a claim for refund, and the general statutory requirements that the claim

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is in writing, signed by the taxpayer and generally states the grounds or reason for the claim, the actual dollar amount shown, whether it be $1 or $100,000 is irrelevant.

When a claim for refund is received that is not specific enough for FTB to act on, the auditor needs to write a letter to the taxpayer to request further written clarification of the claim. Upon receipt of appropriate documentation, the correct refund amount is allowed. If the taxpayer does not provide adequate documentation to support the issue for which the refund is requested, the claim for refund is denied.

When the claim for refund is worked and the dollar amount has been identified, the Claim Tab in the General Information window in PASS needs to be updated to reflect the proper dollar amount.

For example, Taxpayer X files a claim for refund for $1 or more for the tax year 2005 on 3/15/07, which includes a statement that Taxpayer X is entitled to claim a Manufacturers' Investment Credit (MIC) of $1 or more. The claim for refund is requested in writing, it is signed, and it states the specific grounds for the claim. The claim was filed prior to the expiration of the statute of limitations. The claim for refund is a valid claim for refund that needs to be perfected. A request for additional information is made to clarify the claim amount. In response to FTB's request, Taxpayer X provides appropriate documentation to support that it is entitled to claim a MIC of $153,000. The auditor will revise the Claim Tab of the General Information window in PASS to reflect the claim amount of $153,000 and the auditor will allow a refund of $153,000. If the claim is partially denied or denied in full, the GI claim tab will show the amount of the claim, and the notice window will reflect the amount of the claim that was denied.

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8.1.4.2 Informal Claims for Refund	For claims for refund filed on or after January 1, 2002, R&TC Section 19322.1 provides that a claim for refund of tax that is otherwise valid, but is made before full payment of the disputed tax has been made, shall be sufficient to toll (delay the expiration of) the statute of limitations. This **informal** claim for refund will be **perfected** and deemed filed on the date that full payment of tax is made. This perfection date will be the date that the informal claim becomes a formal refund claim for purposes of the administrative claims process. The six-month deemed denial period of R&TC Section 19324 and R&TC Section 19385 also begin on the date the claim is perfected. However, no claim for refund may be made or allowed for any payment made more than seven years before the date of full payment of tax (including tax and penalties and interest). The amount of payment needed to perfect a claim will depend on whether

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	any outstanding amounts are due and payable, or there are deficiency amounts that have not yet become final at the time payment is made. Refer to <u>FTB Notice 2003-5</u> for a complete discussion.
	If the taxpayer does not perfect the claim, FTB does not need to take formal action. However, a letter should be sent to the taxpayer letting them know it is not a formal claim because payment has not been made and they need to make payment to perfect the claim.
	Add a comment in the entity's TPF and record an event in the PASS primary case unit.
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8.1.5 Steps for Processing of Incoming Claims for Apportioning Cases	One of the first steps when auditing a claim is to determine whether the claim has already been processed/refunded. If a claim has already been processed/refunded by the Department, then we need to issue a Notice of Proposed Assessment within an open SOL to recover the tax, unless erroneous refund provisions apply (See MAP 4.5 Erroneous Refunds). See also MAP 4.2 Statute of Limitations Charts. Therefore, it is important to analyze the assessment SOL in order to manage the examination or secure a waiver if needed.
	Taxpayers should support all claims with the documentation relied upon to prepare the claim. If the taxpayer does not provide documentation, send a letter requesting the documentation. Allow the taxpayer 45 days to respond. If an audit is already in progress on the claim, allow the taxpayer 30 days to respond, to be consistent with audit practices and CCR Section 19032 (See Audit Guidelines for Claims Processing).
	Example of Letter Requesting Documentation
	We received your claim for refund for the above referenced years. Before this claim can be considered, you must provide the following items within 45 days [or 30 days] to establish your right to a refund.
	• Provide supporting documentation including schedules and working papers used in preparing your claim for refund. This can be in the form of an amended return at the option of the taxpayer. Also, provide any worksheets or forms as prescribed.
	• See the attached insert.
	• Other.

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R&TC Section 19322 and the Regulations therein state that a claim must set forth in detail each ground upon which a refund or credit is claimed and facts sufficient to apprise the Franchise Tax Board of the exact basis thereof. The auditor may request the taxpayer file an amended return if deemed necessary, but it is not required to be considered a claim.

Once we receive the requested information, your claim for refund will be considered. If after review of your information, we determine no further information is required, you will be notified of our action. Failure to provide the requested information within 45 days [or 30 days] could result in your claim for refund being denied.

Please send all information to:

Attn:

FRANCHISE TAX BOARD

Address

Please note if we allow the claim for refund at this time based on the information provided, we are not precluded from later auditing the basis for this claim for refund. Thank you for your cooperation. Please call me at the telephone number listed below if you have any questions regarding this matter.

The other steps for processing incoming claims vary between the different sections of the Audit Division.

Note: See also MAP 8.2.3 Procedures for Field Auditors When Claims Are Received in the Field.

The Information Capture & Banking Section (ICBS) sends all apportioning corporations amended returns (Forms 100X and Correspondence) to Audit Business Support – National Business Audit (NBA) Claims.

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Steps for Processing of Incoming Claims for Apportioning Corporations

For All Form 100X Claims for Refund:

- Incoming claims are listed on a master file excel spreadsheet from BES. BES runs a report with dispositions for all amended returns by the 15th day of the month. The database is available to the claims screening team on an on-going basis as the claims are pre-sorted and made ready to screen. National Business Audit screens (NBA) the claims filed by Apportioning/Non-apportioning S-Corp taxpayers referred from BES. Screening is completed as soon as there is a volume of claims available. NBA will screen all claims to determine the audit disposition.

  Once the claims screening process is complete, claim acknowledgement letters are sent to the taxpayer. For claims that are kept for further audit, the letter provides that they will be contacted within 60 days of the date of the letter with whether or not the return will be audited or allowed. The letter is uploaded to the taxpayer's account in the Taxpayer Folder (TPF).

  National Case List (NCL) protocol is applied to determine if a claim should be sent to a district office. The claims coordinator will contact the appropriate field office for claims referred to the field. An email is sent to each claim coordinator with a listing of all claims identified for their district office for assignment.

  PASS case units are created prior to the claim being sent to the field or central office. The PASS case units are transferred into the claims coordinator's inventory for assignment.

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8.1.6 Duplicate Claims	R&TC §19321 provides that a refund claim upon which action has become final shall not thereafter be considered a refund claim within the meaning of R&TC Section 19306 except to the extent it has been allowed. If the FTB has taken action on the first claim and it has become final, the taxpayer may not file a duplicate or second claim for refund. A duplicate or second claim for refund is one that

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raises identical facts and legal theories for the same tax year. For additional information, please see FTB TAM 2001-1292, dated November 1, 2001. If a taxpayer files a duplicate claim, follow these steps:

- Send the taxpayer a letter containing the following language:

We received your Amended Income Tax Return for the year YYYY. Your Schedule X/ Form100X is a duplicate of a claim that the Franchise Tax Board previously denied for the following tax year and in the following amount:

Year	Amount Claimed
YYYY	$X.XX

We will not treat your Schedule X/ Form100X, filed on MM/DD/YY, as a valid claim for the following reasons:

1. On MM/DD/YY, we denied your original claim for refund filed on MM/DD/YY.
2. There is no indication that you filed an appeal with the Office of Tax Appeals or a refund action in Superior Court, which means that the matter is now final.
3. California R&TC § 19321 provides that a refund claim that has become final shall not be considered a valid claim.

Thus we cannot treat your Schedule X/ Form100X for the YYYY tax year that you filed on MM/DD/YY, as a valid claim for refund. If you believe this action is incorrect, please provide information showing that your Schedule X/ Form100X filed on MM/DD/YY is a valid claim by **MM/DD/YY**. If we do not hear from you by this date, we will assume that you agree with our position and your case will be considered closed.

Thank you for your cooperation in this matter.

- Note PASS event log to provide a trail of activity in the first claim case. If an additional case unit was created for the duplicate claim, record an event and/or add a sticky note to cross-reference back to original claim case unit. Leave status in the original case unit as "claim-closed."

- Comment TPF/TI/BETS with applicable information.

- Do NOT send a claim denial or otherwise provide appeal rights to the taxpayer.

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	• Take these additional steps, depending on whether it is a Corp or PIT taxpayer:
	
	   ○ **Corp**: If there is a 100X filed, issue Form 6213 indicating that it is to be treated as "info return." Write on the front of the return/correspondence "duplicate amended return filed on MM/DD/YY (see DLN xxxxxx) and denied on MM/DD/YY."
	
	   ○ **PIT**: Duplicate claims are treated as correspondence. Contact Audit Support to attach the correspondence to the back of the file of the first amended return. If the duplicate return has a DLN, write "Duplicate Return" at the top of the return, then recharge the return to files (RCH:790rtf, mail stop D-110).
	
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8.2 PRE-AUDIT PROCEDURES	MAP 8.2.1 Pre-Audit Procedures for Claims for Refund MAP 8.2.2 Statute of Limitations for Claims for Refund MAP 8.2.3 Procedures for Field Auditors When Claims are Received in the Field MAP 8.2.4 Claims for Refund When the Entity Status is Suspended or Forfeited MAP 8.2.5 Claims for Refund Filed Prior to Suspension MAP 8.2.6 Pass Case Type: Claim v. Audit Rev. 7/17

8.2.1 Pre-Audit Procedures for Claims for Refund	Select from the following programs:
	
	Claims for Refund for PIT
	
	Claims for Refund for Corporations
	
	Claims for Refund for PIT
	
	Follow these pre-audit procedures when auditing a PIT claim for refund:
	
	1. Check the year to which the claim for refund applies:
	
	    Was the claim timely filed. See MAP 8.1.2 Timely Filed Claims for Refund. If not timely filed, issue claim denial. Also, check to see if the SOL for issuing an NPA is open in the event adjustments to other non-claim related issues results in an assessment. Make sure to check all potential SOLs.
	
	    a. Verify the amount of the claim for refund. Does the amount of the claim reconcile with the adjustments discussed per the taxpayer's statement. Also, verify previously assessed.

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b. Determine if the refund/ overassessment has already been processed/ paid, and if so whether there is an open SOL to recover the tax if we later determine that the taxpayer was not entitled to a refund. We need to issue an NPA within an open SOL, unless erroneous refund provisions apply (See MAP 4.5 Erroneous Refunds).

- o If PASS shows a CLAIM case unit, change it to an AUDIT case unit. Prior to changing the status from CLAIM to AUDIT delete everything from the CLAIM tab and delete any notices that were created.

c. If the taxpayer has not paid the original tax return liability, then the claim is deemed an informal claim and must be perfected by the taxpayer (by paying the original tax due) before the claim can be examined/processed. See MAP 8.1.4.2 Informal Claims for Refund. However, analyze the amended return to determine whether the original tax liability requires adjustments.

2. Analyze the claim:

If the claim does not have statements or documents, consider sending a letter requesting the information if you have not already done so. Allow the taxpayer 45 days to respond. This is also an opportunity to communicate to the taxpayer the process of examining the claim and issuing the refund in regards to timelines and contact information for the taxpayer to check the status of the claim.

a. Determine the reason for the claim. Scope the return for any other issues.
    If you identify an issue that may potentially result in an overall net additional tax (or NPA), you need to secure a waiver. If the NPA SOL has already expired, then you should note this in your working papers and narrative. Even if the SOL for NPA has expired, we can still make other adjustments to reduce the refund.

b. Determine whether the claim adjustments actually apply for California tax purposes.

c. Consider if the adjustments claimed by the taxpayer would have a material effect on prior or subsequent years, i.e. credits and NOLs.

d. Determine the materiality of the issues. If immaterial, consider allowing the claim.

e. If the claim can be resolved without taxpayer contact, allow the claim without audit. Use paragraphs 60014 and 60015. These paragraphs explain to the taxpayer that the claim has been allowed without audit and may be subject to examination at a later date.

f. When disallowing any part of a claim, send a letter to the taxpayer notifying them of the proposed disallowance and allow a reasonable time to respond before issuing a

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formal denial.

g.   Determine whether you should send the claim to another section, unit, or program office. If so, route it to the Claims Control Desk to record the transfer on PASS.

h.   Verify that all the proper fields have been completed on the Claims Tab in PASS (i.e., date claim was filed, claim amount, bill of rights date, the primary staff.)

Claims for Refund for Corporations

Follow these pre-audit procedures when auditing a claim for refund:

1.   Determine the taxpayer's status by reviewing the entity's TPF. Verify the FTB status and SOS status. If **suspended** or **forfeited** and the audit has not been opened, forward the claim for refund to Business Entities Section (BES), who will contact the taxpayer. If taxpayer contact has been made, see your lead auditor to determine how the claim will be handled. The taxpayer will need to be notified to inform them the claim is not valid. Refer to MAP 7.13 Suspended Corporations for further guidance. Also refer to MAP 8.2.4 Claims for Refund When the Entity Status Is Suspended or Forfeited.

2.   Check BETS conversations ****, ****, or **** to determine if there are prior amended returns, NPAs, or other activities that will affect the claim. For example, is there a prior NPA that will affect previously assessed that is not reflected in the claim.

3.   Check the year to which the claim for refund applies:

     a.   Was the claim timely filed? See MAP 8.1.2 Timely Filed Claims for Refund. If not timely filed, issue a Claim Denial. Make sure to check all potential SOLs.

     b.   Verify the amount of the claim for refund. Does the amount of the claim coincide with the income adjustments discussed per Taxpayer statement? Also, verify tax previously assessed per BETS ****.

     c.   Determine if the refund has already been processed/paid, and if so, whether there is an open SOL to recover the tax if we later determine that the taxpayer was not entitled to the refund.

     d.   If the taxpayer has not paid the original tax return liability, then the claim is deemed an **informal claim** and must be **perfected** by Taxpayer (by paying original liability due) before claim can be examined and/or processed. See MAP 8.1.4 Informal Claims for Refund.

     e.   If the original tax has been paid, the amended return is a valid claim for refund. Verify that **CORP CLAIM** has been stamped on the claim for refund

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and that a CLAIM case unit has been created in PASS.

4. Analyze the claim:

   If the claim does not have statements or documents, consider sending a letter requesting the information if you have not already done so. Allow the taxpayer 45 days to respond.

   Along with the request for information, this is an opportunity for the auditor to communicate to the taxpayer the process for auditing the claim and issuing the refund, in regards to timelines and contact information to check the status of their refund.

   a. Determine the reason for the claim. Scope both the original and amended returns for any other issues. If you identify an issue that may potentially result in an overall net additional tax (or NPA), you need to secure a waiver. If the NPA SOL has already expired, then you should note this in your working papers and narrative report. Even if the SOL for NPA has expired, we can still make other adjustments to reduce the refund.

   b. Determine whether the claim adjustments apply for California tax purposes, particularly considering federal differences.

   c. Consider if the adjustments claimed by the taxpayer would have material effect on prior or subsequent years. For example, if the taxpayer makes adjustments to eliminate AMT reported on original return, check the subsequent years to see if the taxpayer reported a credit for prior years' AMT.

   d. Determine the materiality of the issues. If immaterial, consider allowing the claim.

   e. If the claim can be resolved without taxpayer contact, allow the claim without audit. Use paragraphs 60014 and 60015 on FTB 6638. These paragraphs explain to the taxpayer that the claim has been allowed without audit and may be subject to examination at a later date.

   f. Your decision to deny a claim must have proper analysis of the facts with a correct application of the law. When disallowing any part of a claim, send a letter to the taxpayer notifying them of the proposed disallowance and allow a reasonable time to respond before issuing a formal denial.

   g. Verify that all the proper fields have been completed on the Claims Tab in PASS (i.e., date claim was filed, claim amount, bill of rights date, the primary staff.)

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8.2.2 Statute of Limitations for Claims for Refund	The statute of limitations (SOL) for claims effective January 1, 2000, is generally the same as the SOL for deficiency assessments as long as the tax return was timely filed. The SOL for all open refund claims is determined as the later of the following dates: • Four years from the last day prescribed for filing the return, without regard to filing extensions (R&TC Section 19306). • The period ending four years from the date the return was filed (if filed within the extension time prescribed by R&TC Section 18567 or R&TC Section 18604 (R&TC Section 19306)). • One year from date of overpayment (limited to the amounts paid within that one-year period (R&TC Section 19306). • Six months after the expiration of a federal waiver (R&TC Section 19308), this applies to all issues. • Within a statute of limitations specified by a state waiver (R&TC Section 19308 & R&TC Section 19309). • Within two years from the date of a final federal determination, if the refund results from the federal adjustments (R&TC Section 19311). • In the case of an Other State Tax Credit, within one year of payment of tax to the other state (R&TC Section 19311.5). If the return was filed after the extended due date, the second bulleted item above does not apply and the SOL is determined by reference to the original due date of the return. This rule is different from the SOL rule for deficiency assessments since an NPA may be issued up to four years after the date the return was filed regardless of whether it was timely filed. The law became effective on January 1, 2000, to any taxable year with an open statute on that date. It does not apply to re-open the SOL on a year in which the SOL has expired under the old law. Under the old law, the SOL for claims was determined as the later of the following dates: • Four years from the original due date of the return.

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	• One year from date of overpayment. **Claim Examinations Beyond SOL** If a claim audit is started after the expiration of the SOL for issuing an NPA, and the claim has not yet been processed, the auditor may continue to pursue adjustments for audit issues as well as the claim issues to offset the claim. However, only the refund amount may be reduced. If the department has already performed an examination of the taxpayer's return, the claim examination should be limited to the claim issue. If the claim has been processed/ paid, determine if there is an open SOL to recover the tax. We need to issue a Notice of Proposed Assessment within an open SOL, unless erroneous refund provisions apply (See MAP 4.5 Erroneous Refunds). If there is not an open SOL, do not audit the claim unless there is a carryover issue or other tax effect. Rev. 11/17
8.2.3 Procedures for Field Auditors When Claims Are Received in the Field	Claims received by an auditor can come in two forms -- an amended return or correspondence letter requesting a refund. Follow the procedures below for each type. **Amended Return** When you receive an amended return from the taxpayer you are auditing, requesting a claim for refund, follow these steps: 1. Determine if you will treat the amended return as informational, for reference only; or accept as a claim. 2. Date stamp the amended return upon receipt. Reflect the actual received date on top of the amended return to prevent problems with the statute of limitations. 3. Route the amended return to Audit Business Support of your respective section. Attach a cover sheet stating the return needs to be processed. Include any instructions, account comments in the entity's Taxpayer Folder, or any special needs. If you want the return back, indicate in the cover sheet and include your name and mail stop. When you receive the amended return back, you can destroy the copy that you made.

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4. Determine if you will audit the claim with the returns you are currently auditing, or you should refer the claim to different staff. See MAP 5.3.1 Procedure for Auditor Transferring the Case to details on how to transfer the case. Along with the request for information, this is an opportunity for the auditor to communicate to the taxpayer the process for auditing the claim and issuing the refund, in regards to timelines and contact information to check the status of their refund.

5. Perform an immediate cursory review of the return. If necessary, send a letter to the taxpayer requesting the documents that the taxpayer relied upon to substantiate the amount of the refund. Allow the taxpayer 30 days to respond.

6. Create a case unit in PASS or add a case unit to an existing PASS audit file. Leave the DLN blank on the General Information window. Audit Business Support of the respective section will make sure the amended return receives a DLN and is added to TI for PIT taxpayers and BETS, Conversation ****, for corporations. For **apportioning** corporations, when a DLN is available for the amended return, Audit Business Support will update the DLN on the PASS case unit and route the original amended return back to the field auditor. For all other cases, the auditors will update the PASS case unit with the new DLN.

7. If you do not receive a response to your original request for information, send a follow up letter. This letter should include the Demand for Information language. However, we will not issue a demand penalty unless there is a tax deficiency. See MAP 6.7.1 Failure to Furnish Information Penalty for more information.

8. Deny the claim if the taxpayer does not provide information within the time requested, including reasonable extensions. For a claim denial on a tax year where an audit, protest, or appeal is ongoing, you must coordinate the closing of that claim with the pending FTB action. If an audit, protest, or appeal is in progress on the same tax year, do not close the claim case.

Correspondence Claim for Refund

When you receive a correspondence claim for refund directly from the taxpayer, follow these steps:

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1. Date stamp the correspondence upon receipt. Reflect the actual received date on top of the correspondence to prevent problems with the statute of limitations.

2. Determine if you will audit the claim with the returns you are currently auditing, or you should refer the claim to different staff.

3. If you will work the correspondence claim with your audit, write **CLAIM** on top of the correspondence and the **date** you received it. Create a case unit in PASS or add a case unit to an existing PASS audit file. Use the same DLN as the original return. Add a comment in TPF.

4. Send a letter to the taxpayer requesting the documents that the taxpayer relied upon to substantiate the amount of the refund. Allow the taxpayer 30 days to respond. This is also an opportunity to communicate to the taxpayer the process of examining the claim and issuing the refund in regards to timelines and contact information for the taxpayer to check the status of the claim.

5. If you do not receive a response to your original request for information, send a follow up letter. This letter should include the Demand for Information language. However, we will not issue a demand penalty unless there is a tax deficiency. See MAP 6.7.1 Failure to Furnish Information Penalty for more information.

6. Deny the claim if the taxpayer does not provide information within the time requested, including reasonable extensions. For a claim denial on a tax year where an audit, protest, or appeal is ongoing, you must coordinate the closing of that claim with the pending FTB action. If an audit, protest, or appeal is in progress on the same tax year, provide instructions to Audit Business Support with specific direction on how the claim should be handled.

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8.2.4 Claims for Refund When the Entity Status Is Suspended or Forfeited	Suspended or forfeited corporations cannot file protests, appeals, or claims for refund, nor are they entitled to receive refunds (R&TC Section 23301, R&TC Section 23301.5, and R&TC Section 23301.6).

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	If a claim for refund was filed after the entity was suspended or forfeited, the claim cannot be processed because the corporation was not in good standing when the claim was filed. Such claims for refund are typically identified during the Audit Division's NBA BE claims screening process.
	If an auditor receives a claim for refund for a suspended or forfeited corporation, they must consult with their supervisor or lead to determine the best way to proceed.
	Rev. 7/17
8.2.5 Claims for Refund Filed Prior to Suspension	Claims for refund filed prior to suspension are valid claims for refund. However, FTB will not issue a refund until the corporation is revived. Audit Business Support of the respective section will send a letter to the taxpayer with instructions as to what to do to revive to receive the refund. If you examined and denied a claim for refund, send a formal denial letter to the taxpayer. However, include a paragraph stating that the taxpayer cannot file an appeal until it is in good standing. If you allow the claim for refund, send it for processing. The overpayment is credited to the account but it is not refunded. Once the corporation is in good standing, the refund will be released. In a combined report, the overpayment can offset tax of the same entity in another year, or another entity in the group within the same year.
	Rev. 11/17
8.2.6 PASS Case Type: Claim v. Audit	When an examination includes both claims and original returns, the reporting of time and PASS case type varies based upon the scenario. See MAP 25.4.9 Claim Filed Subsequent to Audit in Progress.
	Rev. 7/17
8.3 IN-PROGRESS AUDIT PROCEDURES	Follow these audit procedures when auditing a claim for refund:
	1. The normal work papers are required on every claim audit. See MAP 6.13.6 Standard Workpapers.
	2. Audit the claim as necessary using general audit guidelines.

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3. If during the course of an audit, you discover an adjustment reducing a deficiency or resulting in a refund, the auditor should consider incorporating the adjustment into the audit, rather than requiring the separate filing of an additional claim for refund. You should consult with the taxpayer to determine the best course of action. Explain to the taxpayer that if they do not file a claim, they will not have appeal rights should the claim be denied or revised. See MATM 3595 on how to proceed when a refund is detected. This does not include **Walker Letter Situations** (See MAP 7.11 Walker Letter Situations).

Deemed Denials – Follow these procedures subsequent to confirmation of a deemed denial:

1. Organize the case for Legal, making notes on the PASS file, and comments on the entity's Taxpayer Folder, as much as possible in a short timeframe.

2. Inform the taxpayer the case is being transferred to Legal. Do not send a claim denial letter since the taxpayer has already deemed the claim denied.

3. In the PASS Notice Window, make the selection "memo-claim denial," for claims that are denied with no correspondence sent to the taxpayer.

4. In PASS, change the status of the Claim Case Unit to **Closed**.

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8.4 CLOSING PROCEDURES FOR CLAIMS FOR REFUND	MAP 8.4.1 Quick Reference Table for Closing PIT Claims MAP 8.4.2 Quick Reference Table for Closing Corporation Claims MAP 8.4.3 Routing Completed Claim Cases MAP 8.4.4 Conversion of Assessment to a Claim for Refund MAP 8.4.5 RARs and Pending Federal for Corporations MAP 8.4.6 Multiple Issue Claims MAP 8.4.7 Settlement MAP 8.4.8 Constitutional Arguments MAP 8.4.9 Identical Claim after Final Action

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8.4.1 Quick Reference Table for Closing PIT and E&T Claims	The instructions provided in this section are intended to be general guidelines. These instructions assume audit results have already been communicated to the taxpayer (i.e., in an AIPS/Position Letter). Select the link below that describes the audit result situation. Contact TRS for assistance with situations not listed. 1. Claim fully allowed without audit; No other notices for any year 2. Claim fully allowed with audit; No other notices for any year 3. Claim fully allowed with increased refund (due to audit-initiated overassessment or increase in claim issue); No other notices for any year 4. Claim fully allowed with increased refund (due to audit-initiated overassessment) & NPA/NPACA for different year - Related Issue 5. Claim fully allowed & NPA/NPACA for same year - Unrelated Issue 6. Claim fully allowed & NPA/NPACA for different year - Related Issue 7. Claim fully allowed & NPA/NPACA for different year - Unrelated Issue 8. Claim fully denied with no other notices 9. Claim fully denied & NPA/NPACA for different year 10. Claim fully denied & NPA/NPACA for same year 11. Claim partially denied; no NPAs issued for any year (may include non-claim issues) 12. Claim partially denied & NPA/NPACA for different year 13. Claim partially denied & NPA/NPACA for same year

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	Situation 1	PASS	Case Management	Other

	Claim fully allowed without audit
	
	No other notices for any year
		1. Record an Event:
		
		• **Subject**: Enter "*Claim allowed without audit*"
		• **Comment**: Document why claim was allowed w/o audit.
		
		2. Complete the Audit Report, FTB 6430
		
		• Def (O/A) – "Claim allowed in full"
		
		3. Complete 1 notice in the PASS Notice Window:
		
		(1) Claim Allowed
		
		    ○ **Name**: Claim Allowed
		    ○ **Tax**: No figure needed in this field
		    ○ **Issues**: Complete this section per MAP 25.5.1
		
		4. Close PASS case:
		
		• Change case unit status to "Closed"
		• Route case unit according to local procedures
		
		Then go to Step 5.
			5. Route the return (** **********) to IVS to finish processing. Complete the fields as follows:
			
			• **Route to**: "********"
			• ********: "******** ********". If this is not available, select "********* ********".
			• **Notes***: Enter "*YYYY return [insert DLN] accepted without audit, routed to IVS for processing*."
			
			*For cases where the amended return meets an SOL exception, the Refund Claim Filed Date Change (RFC Date) and the SOL condition that it meets will need to be provided to IVS in order to release the refund. In such a case, complete the **Notes** field as follows:
			
			• **Notes**: Enter "*YYYY return [insert DLN] accepted without audit, routed to IVS for processing. RFC date is [insert received date of original return and the SOL condition].*"
			
			Then go to Step 6.
				6. In TPF, create a Comment* stating:
				
				"*YYYY return [insert DLN] accepted without audit, routed to IVS for processing.*"
				
				*Comment text can be copied from CM Note.

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Situation 2	PASS	Case Management	Other

Claim fully allowed with audit
 	
No other notices for any year
	1. Record an Event:
	
	• **Subject**: Enter "*Claim allowed with audit*"
	• **Comment**: Document why claim was allowed w/ audit.
	
	2. Complete the Audit Report, FTB 6430
	
	• Def (O/A) – "Claim allowed in full"
	
	3. Complete 1 notice in the PASS Notice Window:
	
	(1) Claim Allowed
	  o **Name**: Claim Allowed
	  o **Tax**: No figure needed in this field
	  o **Issues**: Complete this section per MAP 25.5.1
	
	4. Update the case unit status to "Review"
			7. In TPF, create a Comment stating:
			
			"*YYYY return [insert DLN] accepted with audit, routed to TRS/IVS for processing.*"
			
			8. Auditor/TRS updates the Audit Case Record in TPF per MAP 29.5.1

	5a. If case meets TRS End Review Criteria: • Keep the case unit status in "Review" • Route the case unit to TRS Worklist: "*** **** **** *** *** ******** ****** *****" Then go to Step 5b.	5b. Route the return (** ************) to TRS. Complete the fields as follows: • **Route to**: **** ******* ******** • **Notes**: Enter "YYYY return [insert DLN] is accepted, routed to TRS." Note: TRS will route the ** ********* to IVS for processing. Then go to Step 7.	

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	6a. If case does <u>not</u> meet TRS End Review Criteria, close PASS case: • Change case unit status to "Closed" • Route case unit according to local procedures Then go to Step 6b.	6b. Route the return (** ********) to IVS to finish processing. Complete the fields as follows: • **Route to**: "********" • ********: "******** ********". If this is not available, select "********* ********". • **Notes**: Enter "*YYYY return [insert DLN] accepted with audit, routed to IVS for processing.*" Then go to Step 7.	

Situation 3	**PASS**	**Case Management**	**Other**

Claim fully allowed with increased refund
 	
(Due to audit-initiated overassessment* or increase in claim issue)
 	
No other notice for any year
 	
*Requires Open SOL – see MAP 4.2 SOL Charts
	1. Draft FTB 5847A, Notice of Overassessment, Credit, or Refund (no appeal rights) in **Draft Correspondence** folder (see MAP 13.4.8)
	
	2. Complete FTB 6430, Audit Report
	
	• Def (O/A) – Claim allowed in full + O/A (amount of increase in O/A)
	
	3. Complete 2 notices in the PASS Notice Window:
	
	(1) Claim Allowed
	
	    ○ **Name**: Claim Allowed
	    ○ **Tax**: No figure needed in this field
	    ○ **Issues**: Complete this
			7. Complete Electronic Audit Support Notification:
			
			• **PASS Case Exists**: Check this box
			• **Request Type**: Select "*** ****** **** *** *********"
			• **Rush Reason(s)**: Select "TRS Review"
			• **Special Instructions**: Complete as applicable
			
			8. In TPF, create a Comment stating:
			
			"*YYYY return [insert DLN] is accepted with audit with*

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		section per MAP 25.5.1
		
		(2) Overassessment
		
		    o **Name:** Overassessment
		    o **Tax**: Enter the additional refund amount
		    o **Issues**: Complete this section per MAP 25.5.1
		
		4. Update the case unit status to "Review"
				additional adjustment(s). Routed ABS/TRS for review."
				
				9. ABS will update the Audit Case Record in TPF per MAP 29.5.1

		5a. If case meets <u>TRS End Review Criteria</u>:
		
		  • Keep the case unit status in "Review"
		  • Route the case unit to TRS Worklist: "*** **** **** *** *** ******** ****** *****"
		
		Then go to Step 5b.
			5b. Route the return (** ************) to TRS. Complete the fields as follows:
			
			  • **Route to**: **** ******* ********
			  • **Notes**: Enter "*YYYY return [insert DLN] is accepted with additional adjustment(s). Routed to TRS for review.*"
			
			Note: TRS will route the return (** **********) to ABS to cancel and complete the necessary TI transactions.
			
			Then go to Step 7.	

		6a. If case does <u>not</u> meet TRS End Review Criteria:
		
		  • Change case unit status to "Technical Support Closure"
		  • Route the case unit to ABS Worklist: "*** *** ******** ************"
			6b. Route the return (** *********) to ABS. Complete the fields as follows:
			
			  • **Route to**: ***** ****** ********
			  • **Notes**: Enter "*YYYY return [insert DLN] is accepted with increased*	

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	Then go to Step 6b.	*refund, routed to ABS for processing.*" Note: ABS will cancel the return (** ********), complete the necessary TI transactions, and send the FTB 5847A. Then go to Step 7.	

Situation 4	**PASS**	**Case Management**	**Other**
Claim allowed with increased refund (Due to audit-initiated overassessment * or increase in claim issue) *Requires Open SOL – see MAP 4.2 SOL Charts NPA/NPACA issued for a different year The NPA/NPACA is for a related issue (See MAP 13.4.6.1 Offset Cases)	1. In the **primary case unit**: • Draft FTB 5851, Computation of Proposed Overpayment in **Draft Correspondence** folder (see MAP 13.4.9) • Complete FTB 6831B, PAWS Input Resident Worksheet or FTB 6831, GTA – PAWS Input Nonresident (see MAP 13.4.7); or FTB 1542, NPACA letter (see MAP 7.7) 2. Complete FTB 6430, Audit Report (see MAP 13.4.4) • Def (O/A) – Claim allowed in full + (amount of increase in O/A) o Def (O/A) – Additional tax + Penalties (if applicable) 3. Complete the PASS Notice Windows in <u>both</u> the Claim and Audit case units:		8. Complete Electronic Audit Support Notification and submit to ABS: • **PASS Case Exists**: Check this box • **Request Type**: Select "***** ********** ******" • **Number of each Notice Type**: Enter the count of notices in the **NPA(s)** and **NPO(s)** fields • **Rush Reason(s)**: If the case meets TRS End Review criteria, select "*** ******" • **Special Instructions**: Complete as applicable 9. In TPF, create a Comment stating: "*YYYY return [insert DLN] is fully allowed with increased refund. Refund awaiting final action on related NPA for different year.*

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		Claim case unit - Create 2 notices:
		
		(1) Claim Allowed
		
		  o **Name**: Claim Allowed
		  o **Tax**: No figure needed in this field
		  o **Issues**: Complete this section per MAP 25.5.1
		
		(2) Overassessment
		
		  o **Name**: Overassessment
		  o **Tax**: Enter the additional refund amount in excess of the claim amount
		  o **Issues**: Complete this section per MAP 25.5.1
		
		Audit case unit - Create 1 notice:
		
		(1) NPA/NPACA
		
		  o **Name**: NPA/NPACA
		  o **Tax**: Enter tax amount
		  o **Issues**: Complete this section per MAP 25.5.1
		
		4. Add a PASS sticky note to all related case units stating:
				Routed to ABS for processing."
				
				10. ABS will update the Audit Case Record in TPF per MAP 29.5.1
				
				Do not separate case files.

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		"YYYY return [insert DLN] is being fully allowed with increased refund. Refund awaiting final action on related NPA/NPACA for different year." 5. Update the case unit status to "Review".	
		6a. If case meets TRS End Review Criteria: • Keep the case unit status in "Review" • Route the case unit to TRS Worklist: "*** **** **** *** *** ******** ****** *****" Then go to Step 6b.	6b. Route the return (** *********) to TRS. Complete the fields as follows: • **Route to**: **** ****** ******** • **Notes**: Enter "*YYYY return [insert DLN] is being fully allowed with increased refund. Refund awaiting final action on related NPA for tax year YYYY. Routed to TRS for review.*" Note: TRS will route the return (** *********) to ABS to cancel. Then go to Step 8.	
		7a. If case does <u>not</u> meet TRS End Review Criteria: • Change case unit status to "Technical Support Closure" • Route the case unit to ABS Worklist: "***** *********** ******" Note: ABS will mail out the FTB 5851 Then go to Step 7b.	7b. Route the return (** *********) to ABS. Complete the fields as follows: • **Route to**: *** ******* ******** • **Notes**: Enter "*YYYY return [insert DLN] is being fully allowed with increased refund. Refund awaiting final action on related NPA for tax year YYYY. Routed to ABS for processing.*"	

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		Note: ABS will cancel the return (** *********). Then go to Step 8.	

Situation 5	**PASS**	**Case Management**	**Other**
Claim fully allowed NPA/NPACA issued for the same year The NPA/ NPACA is for an unrelated issue	Determine the net result of the Claim & the NPA (within SOL) a. If the net results in an Overassessment, follow Situation 11 b. If the net results in a NPA, follow the steps below: In the **primary case unit**: 1. Complete FTB 6831B, PAWS Input Resident Worksheet or FTB 6831, GTA – PAWS Input Nonresident (see MAP 13.4.7); or FTB 1542, NPACA letter (see MAP 7.7) Add the following paragraph: "*The issues raised in your claim for refund were considered, and to the extent allowable, are reflected in this notice.*" 2. Complete FTB 6430, Audit Report (see MAP 13.4.4) • Def (O/A) – Claim allowed in full + NPA (include NPA amount) 3. Complete the PASS Notice Window <u>both</u> the Claim and Audit case units:		8. Complete Electronic Audit Support Notification and submit to ABS: • **PASS Case Exists**: Check this box • **Request Type**: Select "****** *********** ******" • **Number of each Notice Type**: Enter the count of notices in the **NPA(s)** field • **Rush Reason(s)**: If the case meets TRS End Review criteria, select "*** ******" • **Special Instructions**: Complete as applicable 9. In TPF, create a Comment stating: "*YYYY return [insert DLN] is being fully allowed and NPA for same year. Routing to ABS/TRS for processing.*" 10. ABS will update the Audit Case Record

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		Claim case unit - Create 1 notice: (1) Claim Allowed o **Name**: Claim Allowed o **Tax**: No figure needed in this field o **Issues**: Complete this section per MAP 25.5.1 **Audit case unit** - Create 1 notice: (1) NPA o **Name**: NPA o **Tax**: Enter the tax amount o **Issues**: Complete this section per MAP 25.5.1 4. Add a PASS sticky note to all related case units stating: "*YYYY return [insert DLN] is being fully allowed and NPA/NPACA for same year.*" 5. Update the case unit status to "Review"		in TPF per MAP 29.5.1
		6a. If case meets TRS End Review Criteria: • Keep the case unit status in "Review" • Route the case unit to TRS Worklist: "*** **** **** *** *** ******* ******" Then go to Step 6b.	6b. Route the return (** ********) to TRS. Complete the fields as follows: • **Route to**: **** ******* ******** • **Notes**: Enter "*YYYY return [insert DLN] is being fully allowed and NPA/NPACA for same year. Case*	

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		routed to TRS for review." Note: TRS will route the return (** *********) to ABS to cancel. Then go to Step 8.	
	7a. If case does <u>not</u> meet TRS End Review Criteria: - Change case unit status to "Technical Support Closure" - Route the case unit to ABS Worklist: "***** *********** ******" Then go to Step 7b.	7b. Route the return (** *********) to ABS. Complete the fields as follows: - **Route to**: *** ******* ******** - **Notes**: Enter "*YYYY return [insert DLN] is being fully allowed and NPA/NPACA for same year. Case routed to ABS for processing.*" Note: ABS will cancel the return (** *********). Then go to Step 8.	

<u>Situation 6</u>	PASS	Case Management	Other
Claim fully allowed NPA/NPACA issued for a different year. Related issue (See MAP 13.4.6.1 Offset Cases)	1. In the **primary case unit**: - Draft (DO NOT SEND) FTB 5851, Computation of Proposed Overpayment in **Draft Correspondence** folder (see MAP 13.4.9) - Complete FTB 6831B, PAWS Input Resident Worksheet or FTB 6831, GTA – PAWS Input Nonresident (see MAP 13.4.7); or FTB 1542, NPACA letter (see MAP 7.7)		8. Complete Electronic Audit Support Notification and submit to ABS: - **PASS Case Exists**: Check this box - **Request Type**: Select "***** *********** ******" - **Number of each Notice Type**: Enter the count of notices in the **NPA(s)** and **NPO(s)** fields

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		2. Complete FTB 6430, Audit Report (see MAP 13.4.4)
		
		• Def (O/A) – Claim allowed in full
		• Def (O/A) – Additional tax + Penalties (if applicable)
		
		3. Complete PASS Notice Window for <u>both</u> the Claim and Audit case units:
		
		Claim case unit - Create 1 notice:
		
		(1) NPO-Claim Allowed
		
		     o **Name**: NPO-Claim Allowed
		     o **Tax**: No figure needed in this field
		     o **Issues**: Complete issue section per MAP 25.5.1
		
		Audit case unit - Create 1 notice:
		
		(1) NPA
		
		     o **Name**: NPA
		     o **Tax**: Enter the tax amount
		     o **Issues**: Complete issue section per MAP 25.5.1
		
		4. Add a PASS sticky note to all related case units stating:
		
		"*YYYY return [*insert DLN] *is being fully allowed and related NPA /NPACA for different year. Refund held pending resolution of NPA/NPACA.*"
		
		5. Update the case unit status to "Review"
				• **Rush Reason(s)**: If the case meets TRS End Review criteria, select "*** ******"
				• **Special Instructions**: Complete as applicable
				
				9. In TPF, create a Comment stating:
				
				"*YYYY return [insert DLN] is being fully allowed and related NPA/NPACA for different year. Refund held pending resolution of NPA/NPACA. Routed to ABS/TRS for processing.*"
				
				10. ABS will update the Audit Case Record in TPF per MAP 29.5.1
				
				Do not separate case files (physical & electronic)

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	6a. If case meets TRS End Review Criteria: • Keep the case unit status in "Review" • Route the case unit to TRS Worklist: "*** **** **** *** *** ******* ****** *****" Then go to Step 6b.	6b. Route the return (** *********) to TRS. Complete the fields as follows: • **Route to**: **** ******* ******** • **Notes**: Enter "*YYYY return [insert DLN] is being fully allowed and related NPA for different year. Refund held pending resolution of NPA. Routed to TRS for review*." Note: TRS will route the return (** ********) to ABS to cancel. Then go to Step 8.	
	7a. If case does <u>not</u> meet TRS End Review Criteria: • Change case unit status to "Technical Support Closure" • Route the case unit to ABS Worklist: "***** *********** ******" Note: ABS will mail out the FTB 5851 Then go to Step 7b.	7b. Route the return (** *********) to ABS. Complete the fields as follows: • **Route to**: *** ****** ******** • **Notes**: Enter "*YYYY return [insert DLN] is being fully allowed and related NPA for different year. Refund held pending resolution of NPA. Routed to ABS for processing*." Note: ABS will cancel the return (** **********). Then go to Step 8.	
Situation 7	**PASS**	**Case Management**	**Other**

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	Claim fully allowed
	
	NPA/NPACA issued for a different year. Unrelated issue
	
	(See MAP 13.4.6.1 Offset Cases)
		1. In the **primary case unit**:
		
		• Draft (DO NOT SEND) FTB 5847A, Notice of Overassessment, Credit, or Refund, (no appeal rights) in the **Draft Correspondence** folder (see MAP 13.4.9)
		
		• Complete FTB 6831B, PAWS Input Resident Worksheet or FTB 6831, GTA – PAWS Input Nonresident (see MAP 13.4.7); or FTB 1542 NPACA letter (see MAP 7.7)
		
		2. Complete FTB 6430, Audit Report (see MAP 13.4.4)
		
		• Def (O/A) – Claim allowed in full
		• Def (O/A) – Additional tax + Penalties (if applicable)
		
		3. Complete PASS Notice Window for <u>both</u> the Claim and Audit case units:
		
		Claim case unit - Create 1 notice:
		
		(1) Claim Allowed
		
		    ○ **Name:** Claim Allowed
		    ○ **Tax**: No figure needed in this field
		    ○ **Issues**: Complete this
				Important:
				For unrelated issues, if taxpayer wants to offset, auditor shall obtain written offset authorization from the taxpayer. See MAP 13.4.6.1 Offset Cases
				
				If you receive a written offset authorization, include a note in the Audit Report, event log, sticky note, CM Note and TPF Comments.
				
				8. Complete Electronic Audit Support Notification and submit to ABS:
				
				• **PASS Case Exists**: Check this box
				• **Request Type**: Select "***** ********** ******"
				• **Number of each Notice Type**: Enter the count of notices in the **NPA(s)** and **O/A(s)** fields
				• **Rush Reason(s)**: If the case meets TRS End Review criteria, select "*** ******"
				• **Special Instructions**: Complete as applicable
				
				9. In TPF, create a Comment stating:

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		section per MAP 25.5.1
		
		Audit case unit - Create 1 notice:
		
		    (1) NPA
		
		        ○ **Name**: NPA
		
		        ○ **Tax**: Enter the tax amount
		        ○ **Issues**: Complete this section per MAP 25.5.1
		
		4. Add a PASS sticky note to all unrelated case units stating:
		
		"*YYYY return [*insert DLN] *is being fully allowed and unrelated NPA /NPACA for different year.*"
		
		5. Update the case unit status to "Review"
				"*YYYY return [insert DLN] is being fully allowed and unrelated NPA/NPACA for different year. Routed to ABS/TRS for processing.*"
				
				10. ABS will update the Audit Case Record in TPF per MAP 29.5.1
				
				Do not separate case files (physical & electronic)

		6a. If case meets TRS End Review Criteria: • Keep the case unit status in "Review" • Route the case unit to TRS Worklist: "*** **** **** *** *** ******** ****** *****"	6b. Route the return (** **********) to TRS. Complete the fields as follows: • **Route to**: **** ******* ******** • **Notes**: Enter "*YYYY return [insert DLN] is being fully allowed and unrelated NPA*	

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Note: ABS will mail the FTB 5847A Then go to Step 6b.	*for different year. Routed to TRS for review*." Note: TRS will route the return (** **********) to ABS to cancel. Then go to Step 8.	
7a. If case does <u>not</u> meet TRS End Review Criteria: • Change case unit status to "Technical Support Closure" • Route the case unit to ABS Worklist: "***** *********** ******" Note: ABS will mail out the FTB 5847A Then go to Step 7b.	7b. Route the return (** **********) to ABS. Complete the fields as follows: • **Route to**: *** ******* ******** • **Notes**: Enter "*YYYY return [insert DLN] is being fully allowed and unrelated NPA for different year. Routed to ABS for processing*." Note: ABS will cancel the return (** **********). Then go to Step 8.	

Situation 8	PASS	Case Management	Other
Fully Denied With **No** Other Notices	1. Draft FTB 1502, Claim Denial Letter, in **Draft Correspondence** folder.		7. In TPF, create a Comment stating: "*YYYY return [*insert

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		2. Complete FTB 6430, Audit Report (see MAP 13.4.4)
		  ○ Def (O/A) – Claim denied in full
		
		3. Complete 1 notice in the PASS Notice Window:
		
		(1) Claim Denied
		
		  ○ **Name**: Claim Denied
		  ○ **Tax**: Enter the denied amount
		  ○ **Issues**: Complete this section per MAP 25.5.1
		4. Update the case unit status to "Review"
				DLN] *denied in full.*"
				
				8. Auditor or TRS will update the Audit Case Record in TPF per MAP 29.5.1

		5a. If case meets TRS End Review Criteria: • Keep the case unit status in "Review" • Route the case unit to TRS Worklist: "*** **** **** *** *** ******** ******" Note: TRS will mail the FTB 1502 and enclose form FTB 1084 Then go to step 5b.	5b. Route the return (** **********) to TRS. Complete the fields as follows: • **Route to**: **** ******* ******** • **Notes**: Enter "*YYYY return [insert DLN] denied in full. Routed to TRS for review*." Note: TRS will cancel the return (** **********). Then go to Step 7.	

		6a. If case does <u>not</u> meet TRS End Review Criteria:
		
		• Mail the FTB 1502
		  ○ Print and enclose form FTB 1084
		  ○ The 90-day appeal period starts on the date of the letter
		  ○ Use the calendar day calculator to
			6b. Cancel the return (** **********). Complete the fields as follows:
			
			• **Cancelation Reason**: "Stipulated"
			• **Notes**: Enter "*YYYY return [insert DLN] denied in full.*"	

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	compute the exact date o You will need to adjust the date if the 90-day appeal period ends on a holiday or weekend • Close PASS case o Change case status to "Closed Claim" • Route case unit according to local procedures Then go to step 6b.	Then go to step 7.	

Situation 9	**PASS**	**Case Management**	**Other**
Claim fully denied NPA/NPACA issued for a different year	1. In the **primary case unit**: • Draft FTB 1502, Claim Denial Letter, in **Draft Correspondence** folder. • Complete the FTB 6831B, PAWS Input Resident Worksheet or FTB 6831, GTA – PAWS Input Nonresident (see MAP 13.4.7); or FTB 1542, NPACA letter (see MAP 7.7) • Complete FTB 6430, Audit Report (see MAP 13.4.4) o Def (O/A) – Claim denied in full o Def (O/A) – Additional tax + Penalties (if applicable)		7. Complete Electronic Audit Support Notification and submit to ABS: • **PASS Case Exists**: Check this box • **Request Type**: Select "**** *********** ******" • **Number of each Notice Type**: Enter the count of notices in the **NPA(s)** and **Other** fields • **Rush Reason(s)**: If the case meets TRS End Review criteria, select "*** ******"

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		2. Complete the PASS Notice Window for <u>both</u> the Claim and Audit case units:
		
		Claim PASS case unit - Create 1 notice:
		
		    (1) Claim Denied
		
		        o **Name**: Claim Denied
		        o **Tax**: Enter the denied amount
		        o **Issues**: Complete this section per MAP 25.5.1
		
		Audit PASS case unit - Create 1 notice:
		
		    (1) NPA
		
		        o **Name**: NPA
		        o **Tax**: Enter the tax amount
		        o **Issues**: Complete this section per MAP 25.5.1
		
		3. Add PASS sticky note to all related case units stating:
		
		"*YYYY return [insert DLN] denied in full. Related NPA for tax year YYYY. If not protested, denial letter to be sent after NPA has gone final. If protested, denial letter to be sent when NOA is issued.*"
		
		4. Update the case unit status to "Review"
				• **Special Instructions**: Complete as applicable
				
				8. In TPF, create a Comment stating:
				
				"*YYYY return [insert DLN] denied in full pending resolution of the NPA/NPACA for tax year YYYY. Routed to ABS/TRS for processing.*"
				
				9. ABS will update the Audit Case Record in TPF per MAP 29.5.1
				
				Do not separate case files (physical and electronic).

		5a. If case meets TRS End Review Criteria:	5b. Route the return (** **********) to TRS.	

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	- Keep the case unit(s) status in "Review" - Route the case unit to TRS Worklist: "*** **** **** *** *** ******** ******" Notes: TRS will route the PASS case to ABS to complete processing. FTB 1502 sent by ABS or Protest. Then go to step 5b.	Complete the fields as follows: **Route to**: **** ******* ******** **Notes**: Enter "*YYYY return [insert DLN] denied in full. NPA for tax year YYYY.*" Note: TRS will route the return (** **********) to ABS to cancel. Then go to Step 7.	
	6a. If case does <u>not</u> meet TRS End Review Criteria: - Update the case unit(s) status to "Technical Support Closure" - Route the case to ABS Worklist: "***** *********** ******" Notes: FTB 1502 sent by ABS or Protest when issuing the Notice of Action. If protested, the FTB 1502 will be sent by ABS upon issuance of Notice(s) of Action (NOA). Then go to step 6b.	6b. Route the return (** **********) to ABS. Complete the fields as follows: **Route to**: *** ******* ******** **Notes**: Enter: "*YYYY return [*insert DLN] *is denied in full. NPA for tax year YYYY.*" Note: ABS will cancel the return (** **********) Then go to step 7.	

Situation 10	PASS	Case Management	Other
Claim fully denied	1. In the **primary** case unit:		7. Complete Electronic Audit Support

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	NPA/NPACA issued for the same year	• Draft FTB 1502, Claim Denial Letter, in **Draft Correspondence** folder.
		
		• Complete FTB 6831B, PAWS Input Resident Worksheet or FTB 6831, GTA – PAWS Input Nonresident in PASS (see MAP 13.4.7); or FTB 1542, NPACA letter (see MAP 7.7)
		
		• Complete FTB 6430, Audit Report (see MAP 13.4.4)
		
		   o Def (O/A) – Claim denied + NPA (include amount of NPA)
		
		2. Complete 2 notices in the PASS Notice Window:
		
		(1) Claim Denied
		
		   o **Name**: Claim Denied
		   o **Tax**: Enter the denied amount
		   o **Issues**: Complete this section per MAP 25.5.1
		
		(2) NPA
		
		   o **Name**: NPA
		   o **Tax**: Enter the tax amount
		   o **Issues**: Complete this section per MAP 25.5.1
		
		3. Add PASS sticky note to all related case units stating:
		
		"*YYYY return [insert DLN]*
				Notification and submit to ABS:
				
				• **PASS Case Exists**: Check this box
				• **Request Type**: Select "***** *********** ******"
				• **Number of each Notice Type**: Enter the count of notices in the **NPA(s)** and/or **Other** fields
				• **Rush Reason(s)**: If the case meets TRS End Review criteria, select "*** ******"
				• **Special Instructions**: Complete as applicable
				
				8. In TPF, create a Comment stating:
				
				"*YYYY return [*insert DLN] *denied in full. NPA for same year. If not protested, denial letter to be sent after NPA has gone final. If protested, denial letter to be sent when NOA is issued. Routed to ABS/TRS for processing.*"
				
				9. ABS will update the Audit Case Record in TPF per MAP 29.5.1

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		is denied in full. NPA for same year. If not protested, denial letter to be sent after NPA has gone final. If protested, denial letter to be sent when NOA is issued." 4. Update the case unit status to "Review"		
		5a. If case meets TRS End Review Criteria: • Keep the case unit status in "Review" • Route the case unit to TRS Worklist: "*** **** **** *** *** ******** ****** *****" Then go to step 5b.	5b. Route the return (** ********** to TRS. Complete the fields as follows: • **Route to**: ********** worklist • **Notes**: Enter "*YYYY return [insert DLN] denied in full. NPA for same year. Routed to TRS for review*" Note: TRS will route the return (** **********) to ABS to complete processing. Then go to Step 7.	
		6a. If case does <u>not</u> meet TRS End Review Criteria: • Update the case unit status to "Technical Support Closure" • Route the case to ABS Worklist: "***** *********** ******" Note: If not protested, denial letter to be sent after NPA has gone final. If protested, denial letter to be sent when NOA is issued. Then go to step 6b.	6b. Route the return (** **********) to ABS. Complete the fields as follows: • **Route to**: *** ******* ******** • **Notes**: Enter: "*YYYY return [insert DLN] denied in full. NPA for same year. Routed to ABS for processing.*" Note: ABS will cancel the return (** **********) Then go to step 7.	

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Situation 11	PASS	Case Management	Other

Claim partially denied
 	
No NPA issued for any year
 	
(May include non-claim issues)
	1. Draft the FTB 5847, Notice of Overassessment, Credit, or Refund, (with appeal rights) in **Draft Correspondence** folder (see MAP 13.4.8)
	
	2. Complete FTB 6430, Audit Report, (see MAP 13.4.4)
	
	   • Def (O/A) – Claim
	
	3. Complete 1 notice in the PASS Notice Window:
	
	   (1) Claim Revised
	
	     o **Name**: Claim revised
	     o **Tax**: Enter the denied amount
	     o **Issues**: Complete issue section per MAP 25.5.1
	
	4. Update the case unit status to "Review"
			7. Complete Electronic Audit Support Notification and submit to ABS:
			
			• **PASS Case Exists**: Check this box
			• **Request Type**: Select "*** ****** **** *** *********"
			• **Rush Reason(s)**: If the case meets TRS End Review criteria, select "*** ******"
			• **Special Instructions**: Complete as applicable
			
			8. In TPF, create a Comment stating:
			
			"*YYYY return [*insert DLN] *partially denied. Routed to ABS/TRS for processing.*"
			
			9. ABS will update the Audit Case Record in TPF per MAP 29.5.1

	5a. If case meets TRS End Review Criteria: • Keep the case unit status in "Review"	5b. Route the return (** ***********) to TRS. Complete the fields as follows:	

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	• Route the case unit to TRS Worklist: "*** ***** **** *** *** ******** ****** *****" Then go to step 5b.	• **Route to**: **** ******* ******** • **Notes**: Enter "*YYYY return [insert DLN] partially denied. Routed to TRS for review*" Note: TRS will route the return (** **********) to cancel. Then go to Step 7.	
	6a. If case does not meet TRS End Review Criteria: • Update the case unit status to "Technical Support Closure" • Route the case to ABS Worklist: "*** *** ******************" Note: ABS will send FTB 5847. Then go to step 6b.	6b. Route the return (** **********) to ABS. Complete the fields as follows: • **Route to**: *** ******* ******** • **Notes**: Enter: "*YYYY return [insert DLN] is being partially denied. Routed to ABS for processing.*" Note: ABS will cancel the return (** **********). Then go to step 7.	

Situation 12	**PASS**	**Case Management**	**Other**
Claim partially denied NPA/NPACA issued for a different year	1. In the **primary case unit**: • Draft (DO NOT SEND) FTB 5851, Computation of Proposed Overpayment, in **Draft Correspondence** folder (see MAP 13.4.9)		8. Complete Electronic Audit Support Notification and submit to ABS: • **PASS Case Exists**: Check this box

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		• Complete FTB 6831B, PAWS Input Resident Worksheet or FTB 6831, GTA – PAWS Input Nonresident (see MAP 13.4.7); or FTB 1542, NPACA letter (see MAP 7.7)
		
		2. Complete FTB 6430, Audit Report (see MAP 13.4.4)
		
		• Def (O/A) – Claim revised
		• Def (O/A) – Additional tax + Penalties (if applicable)
		
		3. Complete PASS Notice Window for <u>both</u> the Claim and Audit case units:
		
		Claim case unit - Create 1 notice:
		
		(1) NPO-Claim Revised
		
		    o **Name**: NPO-Claim Revised
		    o **Tax**: Enter amount denied
		    o **Issues**: Complete this section per MAP 25.5.1
		
		Audit case unit - Create 1 notice:
		
		(1) NPA
		
		    o **Name**: NPA
		    o **Tax**: Enter the tax amount
		    o **Issues**: Complete this section per MAP 25.5.1
				• **Request Type**: Select "***** *********** ******"
				• **Number of each Notice Type**: Enter the count of notices in the **NPA(s)** and **NPO(s)** fields
				
				• **Rush Reason(s)**: If the case meets TRS End Review criteria, select "*** ******"
				• **Special Instructions**: Complete as applicable
				
				9. In TPF, create a Comment stating:
				
				"*YYYY return [insert DLN] is partially denied. NPA for different year. Routed to ABS/TRS for processing.*"
				
				10. ABS will update the Audit Case Record in TPF per <u>MAP 29.5.1</u>
				
				Do not separate case files (physical and electronic).

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		4. Add a PASS sticky note to all related case units stating: "*YYYY return [insert DLN] partially denied and NPA /NPACA for different year.*" 5. Update the case unit status to "Review"		
		6a. If case meets TRS End Review Criteria: • Keep the case unit status in "Review" • Route the PASS case unit to TRS Worklist: "*** **** **** *** *** ******** ******" Then go to step 6b.	6b. Route the return (** **********) to TRS. Complete the fields as follows: • **Route to****** ******* ******** • **Notes**: Enter "*YYYY return [insert DLN] partially denied and NPA/NPACA for different year. Routed to TRS for review*" Note: TRS will route the return (** **********) to ABS to cancel. Then go to Step 8.	
		7a. If case does not meet TRS End Review Criteria: • Update the case unit status to "Technical Support Closure" • Route the case to ABS Worklist: "***** *********** ******" Note: ABS will send FTB 5851. Then go to step 7b.	7b. Route the return (** **********) to ABS. Complete the fields as follows: • **Route to**: *** ******* ******** • **Notes**: Enter: "*YYYY return [insert DLN] is partially denied. NPA for different year. Routed to ABS for processing.*" Note: ABS will cancel the return (** **********)	

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			Then go to step 8.	

Situation 13	PASS		**Case Management**	**Other**

Claim partially denied
 	
NPA/NPACA issued for the same year
	Determine the net result of the Claim & the NPA (within SOL)
	
	  a. If the net results in an Overassessment, follow Situation 11
	  b. If the net results in a NPA, follow the steps below:
	
	In the **primary case unit**:
	
	1. Complete FTB 6831B, PAWS Input Resident Worksheet or FTB 6831, GTA –PAWS Input Nonresident (see MAP 13.4.7); or FTB 1542, NPACA letter (see MAP 7.7). Include the allowed adjustment from the claim filed on MM/DD/YYYY.
	
	  Add a paragraph:
	
	  "*The issues raised in your claim for refund were considered, and to the extent allowable, are reflected in this notice.*"
	
	2. Draft (DO NOT SEND) FTB 1502, Claim Denial Letter.
	
	  Add a paragraph(s) explaining why we are denying the claim:
	
	  "*We are denying the*
				9. Complete Electronic Audit Support Notification and submit to ABS:
				
				• **PASS Case Exists**: Check this box
				• **Request Type**: Select "***** *********** ******"
				• **Number of each Notice Type**: Enter the count of notices in the **NPA(s)** and/or **Other** fields
				• **Rush Reason(s)**: If the case meets TRS End Review criteria, select "*** ******"
				• **Special Instructions**: Complete as applicable
				
				10. In TPF, create a Comment stating:
				
				  "*YYYY return [insert DLN] NPA/NPACA issued. Claim denial pending the finalization of the NPA Routed to ABS/TRS for processing.*"
				
				11. ABS will update the Audit Case Record

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		claim for refund, however, credit for the claim for refund is reflected to the extent allowable in the Notice of Proposed Assessment/Notice of Proposed Adjustment Carryover Amount."		in TPF per MAP 29.5.1

		3. Add a PASS sticky note to the **primary case unit** stating:
		
		"*Claim denial pending the resolution of the NPA/NPACA.*"
		
		4. In the **primary case unit**, complete FTB 6430, Audit Report:
		
		• Def (O/A) – Claim Denied
		• Def (O/A) – Additional tax + Penalties (if applicable)
		
		5. Complete the PASS Notice Window for both the Claim and Audit case units:
		
		Claim case unit - Create 1 notice:
		
		(1) Claim Denied
		
		    o **Name**: Clam Denied
		    o **Tax**: Enter amount denied
		    o **Issues**: Complete issue section per MAP 25.5.1
		
		Audit case unit - Create 1 notice:
				Do not separate case files (physical and electronic).

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		(1) NPA
		
		    o **Name**: NPA
		    o **Tax**: Enter the tax amount
		    o **Issues**: Complete issue section per MAP 25.5.1
		
		6. Update the case unit status to "Review"	

		7a. If case meets TRS End Review Criteria: • Keep the case unit status in "Review" • Route the case unit to TRS Worklist: "*** **** **** *** *** ******** ******" Then go to step 7b.	7b. Route the return ** **********) to TRS. Complete the fields as follows: • **Route to**: **** ******* ******** • **Notes**: Enter "*YYYY return NPA/NPACA issued. Claim denial pending the finalization of the NPA. Routed to TRS for review*" Note: TRS will route the return (** **********) to ABS to cancel. Then go to Step 9.	
		8a. If case does not meet TRS End Review Criteria: • Update the case unit status to "Technical Support Closure" • Route the case to ABS Worklist: "***** *********** ******" Then go to step 8b.	8b. Route the return (** **********) to ABS. Complete the fields as follows: • **Route to**: *** ******* ******** • **Notes**: Enter: "*YYYY return NPA/NPACA issued. Claim denial pending finalization of the NPA. Routed to ABS for processing.*"	

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| | | Note: ABS will cancel the return (** **********)

Then go to step 9. | |
| --- | --- | --- | --- |
| | | | Rev 10/18 |
| **8.4.2 Quick Reference Table for Closing Corporation Claims** | These situations pertain to claims filed via amended returns and correspondence claims that have a stated claim amount. Situations (select applicable link):

 1. Fully Allowed without Audit

 2. Fully Allowed with Audit

 3. Fully Allowed with Increased Refund

 4. Fully Allowed & NPA Issued on Different Years

 5. Fully Denied with No Other Notices on Different Years

 6. Fully Denied with Other Notices on Different Years

 7. Fully Denied with NPA or NPACA in Same Year

 8. Partially Denied

 9. Agree with Claim Issue – Audit Adjustment more than Claim Adjustment (Different Issue, Same Year)

 10. Agree with Claim Issue – Claim Adjustment more than Audit Adjustment (Different Issue, Same Year)

 The instructions below are intended as general guidelines. These instructions assume audit results have already been communicated to the taxpayer (i.e. in an AIPS/ Position Letter). Contact TRS for assistance with situations not on this list. | | |

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SITUATION	FORM	PASS NOTICE WINDOW	PASS GI WINDOW
1. Fully Allowed w/o Audit	• On the top right corner of the claim (in pencil): Initial and write **Accept as Filed**. • Complete Form 6638 (Auditor's Recommendation Formal Claim) Include ¶ 60014 & 60015. Refer to MAP 13.4.5 for instructions on completing the form. • If the claim is greater than $250,000, either cumulative or in any one year, fill out FTB 6163 (Abatement / Refund Memo). Make sure it is signed by the Program Manager before being sent to TRS or for processing by ABS. • Complete Form 6430 (Audit Report) • Within Event Log, record **Claim allowed without audit** and document the issues in the claim (if credits, amount generated and	Name: Claim Allowed. Tax Field: 0. Add Drop Down List. Select Issue & Under Tax enter 0.	Amount denied field: No figure is needed

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		used) and why the claim was allowed.		
		• Do not treat this as a "No Change" case. The case must go to ABS to process the Form 6638.		
	2. Fully Allowed with Audit	• On the top right corner of the claim (in pencil): Initial & write **Accept as Filed**.	Name: Claim Allowed. Tax Field: **0**.	Amount denied field: No figure is needed
		• Complete Form 6638 (Auditor's Recommendation Formal Claim) Cross out paragraphs 60014 & 60015 and use appropriate paragraphs in Explanation Section.	Add Drop Down List. Select Issue & under Tax enter **0**. If applicable, on separate notice window – Name: Loss/CO.	
		• If the claim amount is greater than $250,000, fill out Form 6163 (Abatement / Refund Memo).	Tax Field: **0** Add Drop Down List. Select Issue	
		• If the audit resulted in a reduction in the carryover, Auditor will create an NPACA (See MAP 7.7 NPACA). The NPACA will be sent by BES. Include Sticky Note in PASS stating so. Form 6638 is not	Tax: Enter NPACA amount	

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		needed. No NPACA is needed for increases in carryover and should be communicated to the taxpayer in the AIPS. • Complete Form 6430 (Audit Report)		
	3. Fully Allowed w/ Increased Refund Increase Due to Audit-Initiated Overassessment (Requires Open SOL) or Increase in Claim Issue	• On the top right corner of the claim (in **pencil**): Initial and write **Revised**. • Complete Form 6830 BCT NPA Worksheet Audit (PASS Admin Folder). Ensure proper paragraphs. Include ¶ explaining income is from amended return and previously assessed is from original return. • Complete Form 6430 (Audit Report)	Two Notices: 1. Name: **Claim Allowed.** Tax Field: **0** Add Drop Down List: Select Issue & under Tax: enter **0** 2. Name: **O/A**. Tax Field: Amount of additional refund Add Drop Down List: Select Issue & Under Tax: enter the amount of additional refund	No figure needed in Amount Denied field
	4.	• 6830 for refund (authorized offset or regular offset) NPA on BETS	Name: Claim Allowed. Tax Field: **0**	No figure needed in Amount Denied field

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	Fully Allowed & NPA issued on **different** years	• Complete Form 6430 (Audit Report)	Add Drop Down List: Select Issue & under Tax: enter **0**	
	5. Fully Denied with **NO** other notices (N/C, NPA, O/A) on different years	• On the top right corner of the claim (in pencil): Initial & write **Denied**. • Complete Claim Denial Letter (Template 1502) in PASS Draft correspondence Folder with FTB 1087 attached to the letter. The 90-day appeal period starts on the date of this letter. Use the calendar day calculator to find the exact date. Please note, you will need to adjust the date if the 90-day appeal period ends on a Holiday or a weekend. If the case meets TRS End Review criteria, the claim denial letter will be mailed by TRS. If the case does not meet TRS End Review criteria, the claim denial letter will be mailed by the Auditor/Supervisor/Reviewer depending on your unit procedures. • Complete Form 6430 (Audit Report)	Name: **Claim denied.** Tax Field: Enter amount denied.	Enter the denied amount in Amount Denied field

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	6. Fully Denied with **other** notices (N/C, NPA, O/A) on **different** years	• On the top right corner of the claim (in pencil): Initial and write Denied. • Complete Form 6638 in the PASS Administration Folder to instruct Audit Business Support of the full claim denial. Audit Business Support will mail the claim denial notice with the FTB 1087 attached. Include the appropriate paragraph(s) that explain why the claim is being denied. Fold bottom right of Form 6638 & write in red **DO NOT MAIL UNTIL NPA IS FINAL** Include sticky note. • Complete Form 6430 (Audit Report)	Name: Claim denied. Tax Field: Amount denied. Add Drop Down List: Select Issue & enter amount denied.	Enter the denied amount in Amount Denied field
	7. Fully Denied w/ NPA or NPACA in **same** year	• On the top right corner of the claim (in **pencil**): Initial & write **Denied**.	Two Notices If audit started as a claim, create second case unit for "Audit" to record NPA.	Enter the denied amount in Amount Denied field

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		• Complete Form 6638 Auditor's Recommendation Formal Claim. Fold bottom right of Form 6638 & write in **red DO NOT MAIL UNTIL NPA IS FINAL**. Include sticky note.	1. In "Claim" case unit: record Claim denied. Tax Field: Denied amount Add Drop Down List: Select Issue & enter amount denied	
		• NPA: 6830 BCT NPA Worksheet Audit (Administration Folder). Use net income & previously assessed from original return or use latest info from BETS (**** Period Summary Detail Screen).	2. In "Audit" case unit: record NPA. Tax Field: Tax amount Add Drop Down List: Select Issue & enter tax amount	
		• If the audit resulted in solely a reduction in carryover, Auditor will create an NPACA (See MAP 7.7 NPACA). BES will send the NPACA. Create Sticky note stating so. No NPACA is needed for increases in carryover and should be communicated to the taxpayer in the AIPS. • Complete Form 6430 (Audit Report)	If applicable, on separate notice window Name: Loss/CO Tax Field: 0 Add Drop Down List: Select Issue	

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			Enter: NPACA amount	
8. Partially Denied	• On the top right corner of the claim (in **pencil**): Initial & write **Revised**. • Complete Form 6830 BCT NPA Worksheet in the PASS Administration Folder to instruct Audit Business Support of the partial claim denial. Audit Business Support will mail the claim denial notice with the FTB 1087 attached. Use net income & previously assessed from original return or use latest info from BETS **** Period Summary Detail Screen). • Complete Form 6430 (Audit Report)	Name: Claim Revised. Tax Field: Denied amount. Add Drop Down List: Select Issue & enter amount denied.	Enter the denied amount in Amount Denied field	
9. Agree with Claim Issue. Audit Adjustment more than Claim Adjustment	• On the top right corner of the claim (in **pencil**): Initial & write **Denied**. • Complete Form 6830 BCT NPA Worksheet in the Administration Folder include this ¶ **This notice takes into consideration the amended return filed**	Two Notices 1. Name: Claim denied. Tax Field: Denied amount	Enter denied amount in Amount Denied field	

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(different issue, same year) **Note: Claim adjustment should be incorporated within NPA**	**on MM/DD/YY.** Use net income & previously assessed from original return or use latest info from BETS (**** Period Summary Detail Screen) Please be aware that exceptions may apply. • A refund will not be generated to the taxpayer since the overpayment of tax will be applied to the NPA. Thus, Form 6638 must be filled out to disallow the refund. Fold bottom right of Form 6638 & write in **red DO NOT MAIL UNTIL NPA IS FINAL.** **Also include sticky note with the following: The refund is disallowed; however, credit for the claim for refund is reflected to the extent allowable in the NPA number xxx, dated MM/DD/YY.** Auditor does not create denial letter. • Complete Form 6430 (Audit Report)	Add Drop Down List: Select Issue & enter amount of tax denied. 2. Name: NPA. Tax Field: Tax amount Add Drop Down List: Select Issue & enter amount of additional tax.	

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| 10.

Agree with Claim Issue:

Claim Adjustment more than Audit Adjustment (different issue, same year)

Note: Audit Adjustment should be incorporated within O/A | • On the top right corner of the claim (in **pencil**): Initial & write **Revised**.

• O/A: 6830 BCT NPA Worksheet Audit (Administration Folder) & include this ¶ **This notice takes into consideration the amended return filed on MM/DD/YY and incorporates the audit adjustment. Therefore, your requested refund amount of $XXX is reduced to $XX.**

Use net income & previously assessed from original return or use latest info from BETS (**** Period Summary Detail Screen). Please be aware that exceptions may apply.

• Complete Form 6430 (Audit Report) | Name: Claim Revised

Tax Field: Denied amount | Enter denied amount in Amount Denied field |

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| 8.4.3 Routing | These are routing procedures for completed claim cases: |

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Claim Cases - Central	**Routing PIT Completed Claims Cases - Central**
	• If the PIT Claims case results in at least one NPA and/or NPACA (a Mixed File) and:
	o The case is not subject to TRS Review - Transfer the PASS case to Group Worklist **NPA edit desk**, under PUC 389. Place the physical working paper file in the basket for cases to be routed to the NPA edit desk with the Batch Control Worksheet on the top of the audit file.
	o The case is subject to TRS Review - Transfer the PASS case to the Group Worklist **GTA TRS Incoming Review Cases**, under PUC 346. Place the physical working paper file in the basket for cases to be routed to the TRS Claims Coordinator with the Audit Report on the top of the audit file.
	• If the PIT Claims case has a Corp NPA and:
	o The case is not subject to TRS Review - Transfer the PASS case to the Group Worklist **Audit Support/GTA Review**, under PUC 389. Place the physical working paper file in the basket for cases to be routed to the Completed PIT Claims Coordinator with the Audit Report on top of the audit file.
	o The case is subject to TRS Review - Transfer the PASS case to the Group Worklist **GTA TRS Incoming Review Cases**, under PUC 346. Place the physical working paper file in the basket for cases to be routed to the TRS Completed PIT Claims Coordinator with the Audit Report on the top of the audit file.
	• If the case is a PIT Claims only case (no NPA or NPACA will be issued), transfer the PASS case according to your local procedures. Place the physical working paper file in the basket for cases to be routed to Claims Desk with the Audit Report on top of the audit file.
	• If the case is a PIT Claims only and it is subject to TRS Review - Transfer the PASS case to the Group Worklist **GTA TRS Incoming Review Cases**, under PUC 346. Place the physical working paper file in the basket for cases to be routed to the TRS Claims Coordinator with the Audit Report on the top of the audit file.
	Routing Corporations Completed Claims Cases - Central
	Generally, you should route all **physical files** to the Completed Corporation Claims Coordinator.
	In accordance with TRS review criteria, transfer the **electronic PASS file** to the **Group Work list** entitled **MSA TRS New Incoming Review Cases**. You need to change the case status to **Review** before doing so.

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	Note: You should route the physical file when you transfer the electronic file. Failing to do so may cause lost files, expired statutes, unprocessed assessments, etc. Rev. 11/18
8.4.4 Conversion of Assessment to a Claim for Refund	A taxpayer with a tax deposit amount on account may wish to convert a protest or appeal to a claim for refund. In these cases, the taxpayer must provide a statement in writing asking us to convert the administrative deficiency dispute to an administrative claim dispute (preferably on the Form 3581). When we receive the form, we will finalize the deficiency, and apply the tax deposit amount to the final deficiency amount, including interest and any amnesty penalty (if applicable). If there is an overpayment after all amounts due for the year have been paid, the balance will be refunded unless the taxpayer has designated on the FTB 3581 that excess amounts should be retained, or applied differently. At this time, the protest converts to a perfected claim, and FTB will continue to consider the issues presented in the protest, and will take action on the claim. If the tax deposit amount is not enough to pay the final deficiency amount, including penalties, fees, and interest, the claim becomes an informal claim. The taxpayer will receive a bill for the remaining amount due, and FTB cannot act on the claim until it is perfected by full payment. The six-month "deemed denial" period does not start to run until the claim is perfected by full payment. These same procedures apply if the taxpayer has appealed the denial of a protested proposed assessment to the Office of Tax Appeals, and wishes to convert the deficiency appeal to an appeal from the denial of a refund claim. Rev. 11/17
8.4.5 RARs and Pending Federal for Corporations	All apportioning corporation claims for refund, amended returns, and correspondence claims, containing RAR adjustments are to be worked in the office that makes the most business sense. Each amended return is reviewed to determine if the applicable California adjustments were made, if so the amended return is accepted as filed. If revisions are necessary, a notice of proposed assessment (NPA) or overassessment (O/A) reflecting the changes will be issued.

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A screening auditor reviews claims under $****** (per taxpayer, total all years), prior to requesting the corporation folder. If the amended return appears reasonable and no state issues are discovered, the amended returns are forwarded to the Technical Support section to allow as filed. If audit issues are identified, the claims are forwarded to the IRS coordinator to process as claims over $******.

Claims – Pending Federal

1. California claims which are filed on a similar basis as a claim filed with the IRS (federal 1120X) and do not have any state issues are treated as follows:

    a. The auditor will request a BMF transcript (form 8796-A) to determine if the IRS has allowed the federal amended return (1120X). If the IRS amended has been allowed the auditor will allow the California claim.

    b. If the IRS amended has not been allowed, the auditor will send an initial contact letter to the taxpayer using PASS Form FTB 1535.

    c. If the taxpayer replies that IRS action has been taken on the amended filed with IRS, the auditor will ask the Taxpayer to provide a copy of the federal audit report (RAR), or other documentation detailing the outcome of the federal audit. Taking into consideration the federal / state differences, the audit will then proceed following normal audit guidelines.

2. If there are material state issues, which warrant an audit, the audit should be opened immediately. In the initial contact letter, the auditor should request the status of the federal amended returns (1120X) and follow-up during the course of the audit as necessary. The audit should not be closed until all state issues are resolved and the IRS has taken action on the 1120X.

An MSA RAR auditor screens all RAR claims under $****** for potential audit issues and for overall accuracy of the claim. If no material audit issues or errors are found, the claim is allowed without audit. If the claim requires audit work, it is forwarded to the RAR Coordinator for entry onto the RAR inventory system. All RAR claims over $****** are entered onto PASS and the RAR inventory, and assigned to be worked in the office which makes the most business sense to audit the RAR.

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8.4.6 Multiple Issue Claims	Often, a claim for refund involves multiple issues and both positive and negative changes. If audit proposes to change the claim, it is important to issue the correct notice. If your audit results in a net overall assessment, either fully allow (Form 6638) or partially deny claim with a paragraph (Form 6830). If audit results in a net assessment, you will need an open SOL to assess. It is important to analyze the NPA SOL in addition to the claim SOL to be aware of time constraints on your audit as well as the need for a waiver. Keep in mind that sometimes the taxpayer will attempt to add new claims during the audit process. Before working the new issue, make sure the taxpayer has filed the new claim within the claim SOL. For example, a taxpayer files a timely claim for refund, based upon multiple issues that are both positive and negative. Issue #1 is based upon a Revenue Agent Report adjustment. The additional tax resulting from the Report issue is $100. Issue #2 is a California only adjustment. The tax effect of the California only adjustment is $<200>. The net tax effect, per the taxpayer, is a claim for refund of $<100>. If the Report issue is allowed and the California only adjustment is denied, issue a Notice of Proposed Assessment, not a Notice of Tax Due or claim denial letter. This allows the taxpayer to protest the disallowance of the California only issue in accordance with R&TC Section 19044. Technically, the taxpayer has a claim for refund at this point but we are deferring action on the claim while the deficiency is being considered. Add a paragraph to the Notice of Proposed Assessment stating, "We have considered your claim for refund to the extent allowable in this notice." If Protest determines the California only adjustment is allowed $<200>, the taxpayer would be allowed a $100 refund. Rev. 11/17
8.4.7 Settlement	Any taxpayer that requests settlement in writing should be referred to the Settlement Bureau. The Settlement Bureau will then review the file to ascertain that: • The case meets the statutory requirements for settlement consideration, and • There is a bona fide legal or factual dispute and the case contains issues for which there is some risk of loss to the State on one or more issues. Rev. 11/17
8.4.8 Constitutional Arguments	The taxpayer may file a claim challenging the constitutionality of a code section. FTB and OTA do not have jurisdiction to make determinations on constitutional arguments. Therefore, do not address constitutional issues but develop any other issues. However, the taxpayer still receives appeal rights.

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	Include the following standard paragraph to address the issue: "You contend that the code sections governing the issues under audit are unconstitutional. According to the California Constitution, Article III, Section 3.5, subdivisions (a) and (b), an administrative agency does not have the power to declare a statute unconstitutional. Furthermore, the Office of Tax Appeals is precluded from determining whether a statute is unconstitutional (Title 18, Division 4.1, Chapter 2 section 30104; see *Appeal of Aimor Corporation*, 83-SBE-221, October 26, 1983; *Appeal of Castle & Cooke, Inc.*, 87-SBE-043, June 17, 1987; *Appeal of Capital Industries-EMI, Inc.*, 89-SBE-029, October 31, 1989). Therefore, the Franchise Tax Board cannot address the constitutionality of the statute. Your disagreement and arguments have been included in the audit file that will be submitted for review." Rev. 11/17
8.4.9 Identical Claim after Final Action	FTB does not have authority to allow an identical claim where final action has already occurred on the claim (R&TC §19321). If you receive a 2nd claim for the same issue for which action is already final, contact your supervisor or TRS. Rev. 11/17
8.5 POST-AUDIT PROCEDURES	MAP 8.5.1 Appeal of Denied Claim MAP 8.5.2 Erroneous Refunds Rev. 7/17
8.5.1 Appeal of Denied Claim	Once a claim for refund is denied, the taxpayer's next available option is to file an appeal with the Office of Tax Appeals (OTA) (or to bypass the OTA appeal process and bring an action directly in Superior Court). When the OTA decides a case, it sends a copy of its decision to Legal. Legal then sends a copy of the decision and appeal file to Technical Resource Section (TRS) for analysis and processing purposes. TRS will review the decision and determine whether the department was sustained in its position or whether the taxpayer is due a refund.

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	• If the OTA sustained FTB's position, insert the written OTA decision inside the first page of the return for the latest year appealed. Return any appeal folders included in the file to Legal. Return the taxpayer's files (i.e., tax returns and audit files) to Data Services. • If the OTA did not sustain FTB's position and the taxpayer is due a refund, route both the appeal folder and the taxpayer's files to Audit Support for the necessary action. If FTB denies or partially denies a claim for refund, the taxpayer has 90 days after the notice of denial is mailed to file an appeal in writing with the Office of Tax Appeals or bring action in California Superior Court. In addition, if FTB fails to act on the claim within six months, the taxpayer can deem the claim denied, and file an appeal with the Office of Tax Appeals or bring action in California Superior Court as if the claim was formally denied. Once the Office of Tax Appeals renders a decision, it is final and binding on FTB, but not on the taxpayer. Either the taxpayer or FTB can appeal a Superior Court decision to the California Appellate Court or the California Supreme Court, and ultimately to the U.S. Supreme Court. Rev. 11/17
8.5.2 Erroneous Refunds	A refund that was not claimed by the taxpayer, but was issued due to an FTB error is considered an erroneous refund. See MAP 4.5 Erroneous Refunds for more information. Rev. 7/17