

STATE OF CALIFORNIA

FRANCHISE TAX BOARD

PUBLIC MEETING

THURSDAY, DECEMBER 8, 2022

9:07 A.M.

GERALD GOLDBERG AUDITORIUM

9646 BUTTERFIELD WAY

SACRAMENTO, CALIFORNIA

STENOGRAPHICALLY REPORTED BY:

KATHRYN S. SWANK

CSR NO. 13061, RPR

KATHRYN S. SWANK, CSR (916) 390-7731

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

INDEX

ITEM NO.		PAGE
	Open Session	5
	Pledge of Allegiance	5
Item 1.	Approval of Minutes Minutes of the September 23, 2022 Board Meeting	6
Item 2.	Regulation Matter A. 2023 Rulemaking Calendar	8
Item 3.	Legislative Matter A. Legislative Proposal - Board Approval	
	1. Conditional Revivors for Limited Liability Companies (LLC's)	11
Item 4.	Taxpayers' Bill of Rights Hearing	14
Item 5.	Executive Officer's Time	30
Item 6.	Board Members' Time	50
Item A.	Closed Session	69
	Adjournment	69
	Reporter's Certificate	70

---o0o---

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES

BOARD MEMBERS

BETTY YEE
State Controller
(Chairperson of the Board)

ANTHONY EPOLITE
Deputy State Controller

REGINA V. EVANS
Chief of Staff for Member Cohen
Board of Equalization

GAYLE MILLER
Chief Deputy Director of Policy
Department of Finance

---o0o---

STAFF

SELVI STANISLAUS
Executive Director

CRISTINA RUBALCAVA
Board Liaison

JOZEL L. BRUNETT
Chief Counsel

SHANE HOFELING
Deputy Chief Counsel

DENIS ARMSTRONG

TERI DOWD

TANYA KELLEY

TINA KENZIE

BRENDA VOET

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES CONTINUED

PUBLIC PARTICIPANTS

CHRISTINE GRAB

ROB GUTIERREZ
California Taxpayers Association

GERRI MAGERS
Charis Consulting Group, LLC

RENEE RODDA
Spidell Publishing

MS. SHARP

JON SPERRING
PricewaterhouseCoopers

YVETTE STOWERS
California Board of Equalization

AMY TONG
California Government Operations Agency

---o0o---

1 SACRAMENTO, CALIFORNIA

2 THURSDAY, DECEMBER 8, 2022, 9:07 A.M.

3 ---o0o---

4 CHAIRPERSON YEE: Good morning, everyone.

5 This is the scheduled time for the meeting of the
6 Franchise Tax Board. And let me ask the Board liaison
7 to please call the roll.

8 MS. RUBALCAVA: Good morning.

9 CHAIRPERSON YEE: Good morning, Cristina.

10 MS. RUBALCAVA: Deputy Member Evans.

11 MEMBER EVANS: Present.

12 MS. RUBALCAVA: Member Miller.

13 MEMBER MILLER: Present.

14 MS. RUBALCAVA: And Chair-Controller Betty T.

15 Yee.

16 CHAIRPERSON YEE: Here.

17 Thank you very much.

18 At least two members or their designated
19 representatives being personally present, there is a
20 quorum and the Franchise Tax Board is now in session.

21 For those who are able, please stand and join me
22 as we recite the Pledge of Allegiance.

23 (Pledge of Allegiance was recited in unison.)

24 CHAIRPERSON YEE: Thank you. And welcome to the
25 Franchise Tax Board's board meeting. The public has a

1 right to comment on each agenda item. And if there are
2 any members of the public wishing to speak on an item,
3 please come forward when that item is called, and you
4 will have three minutes to address the Board.

5 For today's meeting, members of the public who
6 wish to comment via teleconference may call (844)
7 291-4185. Again, (844) 291-4185. And enter the access
8 code of 6598443; access code 6598443.

9 Please be aware there is a short delay between
10 the web live stream and the live event. And if there
11 are any members of the public wishing to speak on an
12 item and you are using a translator or a translator
13 service, you will have six minutes to address the Board.
14 All speakers will be asked to identify yourself for the
15 record.

16 Members, welcome. The first item is the approval
17 of the minutes. We do have the minutes of the
18 September 23, 2022, Board meeting in front of us.

19 Any comments or questions?

20 MEMBER MILLER: Move approval.

21 CHAIRPERSON YEE: Okay. We have a motion by
22 Member Miller to approve the minutes.

23 MEMBER EVANS: Second.

24 CHAIRPERSON YEE: Second by Member Evans.

25 Is there any member of the public wishing to

1 speak on in this item in person or on the teleconference
2 line?

3 (No response.)

4 CHAIRPERSON YEE: Seeing no one in the auditorium
5 stepping forward, let me see if there's anyone on the
6 teleconference line wishing to speak on this item.

7 PHONE MODERATOR: Members of the public on the
8 phone lines, if you would like to place yourself in the
9 queue for public comment, as a reminder you may press 1,
10 then 0, at this time.

11 We will go to the line of Christine Grab. Please
12 go ahead.

13 MS. GRAB: Board Member Yee, I was under the
14 impression that we had five minutes, normally for the
15 annual Taxpayer Bill of Rights meetings, and three
16 minutes for other types of meetings. But I was under
17 the impression we would have five minutes for this
18 meeting.

19 CHAIRPERSON YEE: Ms. Grab, on this -- on any
20 agenda item, you have three minutes to speak.

21 Do you wish to speak on this item regarding
22 approval of the minutes?

23 MS. GRAB: No. I was regarding -- my question is
24 regarding the annual Taxpayer Bill of Rights request.

25 CHAIRPERSON YEE: Okay. We will get -- return

1 back to you when we get to that item -- item on the
2 agenda.

3 MS. GRAB: Okay. Will we get five minutes?

4 CHAIRPERSON YEE: Yes, you will.

5 MS. GRAB: Okay. Great. Thank you.

6 CHAIRPERSON YEE: Thank you.

7 Any other members of the public on the
8 teleconference line?

9 Seeing none --

10 PHONE MODERATOR: No additional members are
11 queuing up at this time.

12 Please continue.

13 CHAIRPERSON YEE: Thank you.

14 We do have a motion and a second.

15 Without objection, such will be the Board's
16 order. Thank you.

17 We'll move on the Item Number 2, and this is a
18 presentation on a regulation matter for the adoption of
19 the Annual 2023 Rulemaking Calendar. This is an action
20 item, members. And we will have Tina Kenzie present the
21 item.

22 Good morning.

23 MS. KENZIE: Thank you and good morning. My name
24 is Tina Kenzie, and I am a Tax Counsel IV for the FTB's
25 Legal Division's Technical Resources Bureau.

1 As required by Government Code Section 11017.6,
2 on a yearly basis, FTB delivers a Board-approved
3 rulemaking calendar to the Office of Administrative Law,
4 providing required information on regulatory items FTB
5 plans to transmit for review and approval as part of the
6 rulemaking process during the year.

7 The 2023 Rulemaking Calendar in your materials
8 shows the regulation projects FTB staff plans to work on
9 during the 2023 calendar year.

10 This year we have a new item on the calendar,
11 which is identified on the first page of the materials.
12 This is a project for potential amendments to Sections
13 23701, 23772, and 23775 through 23778, which will
14 explore updating these regulations to be consistent with
15 statutory law changes related to exempt organizations.

16 As in the past, this Board's approval of the
17 calendar and any new items identified on it for which
18 staff has not previously received Board approval to
19 begin the informal regulatory process serves as an
20 explicit approval by the Board to allow FTB staff to
21 begin the informal regulatory process and to hold
22 interested parties' meetings for all calendared items.

23 I now ask for the Board's approval of the 2023
24 Rulemaking Calendar.

25 CHAIRPERSON YEE: Thank you very much, Tina, for

1 the presentation.

2 Questions or comments, Members?

3 Member Evans.

4 MEMBER EVANS: So move.

5 CHAIRPERSON YEE: Okay. Very well.

6 MEMBER MILLER: Second.

7 CHAIRPERSON YEE: Great. We have a motion by

8 Member Evans; a second by Member Miller.

9 Let me turn to the members of the public to see
10 if there's anyone wishing to speak on this item.

11 We'll start with any members of the public in the
12 auditorium.

13 Seeing none approaching the Board, are there any
14 members of the public on the teleconference line?

15 PHONE MODERATOR: Members of the public on the
16 phone line, if you would like to please yourself in
17 queue for public comment, as a reminder, you may press
18 1, then 0, at this time.

19 No members of the public are queuing up at this
20 time.

21 Please continue.

22 CHAIRPERSON YEE: Thank you very much.

23 So we do have a motion and a second on this item.

24 Without objection, such will be the Board's
25 order.

1 Thank you. Thank you very much.

2 Next, Members, is Item Number 3. And this is a
3 presentation on a legislative matter. And we will have
4 Denis Armstrong present the item to us.

5 Good morning, Denis.

6 MR. ARMSTRONG: Good morning, Madam Chair and
7 Board Members.

8 My name is Denis Armstrong, and I am the
9 Legislative Director for the Franchise Tax Board.

10 On an ongoing basis, FTB identifies possible
11 ideas for legislative proposals that can ease tax
12 administration, including the one presented before you
13 today for your consideration.

14 In addition to presenting to you today, we also
15 recently had our Annual LP Stakeholder Meeting on
16 November 15th to present this idea to the public for
17 input. This idea seemed to be well received by all
18 parties.

19 This particular proposal relates to conditional
20 revivors for Limited Liability Companies, also known as
21 LLCs.

22 Under current statutory authority, corporations
23 and LLCs that are classified as associations who are
24 suspended are granted an opportunity to revive without
25 payment in full if the Franchise Tax Board determines

1 that the revivor will improve collection prospects.

2 However, LLCs that are classified as partnerships
3 or disregarded entities are not provided the same
4 opportunity because the definition of "corporation" does
5 not include those entity types.

6 This proposal would amend certain sections in the
7 Revenue and Taxation Code in order to grant all LLCs,
8 regardless of classification, an opportunity to receive
9 a conditional revivor. The proposed changes would
10 provide equal treatment amongst all LLCs seeking a
11 conditional revivor. This would increase taxpayer
12 compliance, improve accounts receivable collections, and
13 reduce taxpayer burden.

14 If enacted in the 2023 legislative session, this
15 proposal would be operative on or after the date the act
16 takes effect.

17 Implementing the proposed changes would occur
18 during the department's normal annual update.
19 Therefore, no departmental costs are associated with
20 this proposal.

21 Finally, I would like to mention that we will
22 continue to seek authors for prior Board-approved
23 proposals.

24 Thank you, Madam Chair and Board Members for your
25 time today. We respectfully request the Board's

1 approval on this legislative proposal, and I am happy to
2 answer any questions that you may have.

3 Thank you.

4 CHAIRPERSON YEE: Thank you very much, Denis, for
5 the presentation.

6 Questions or comments, Members?

7 (No response.)

8 CHAIRPERSON YEE: Okay. Seeing none.

9 MEMBER MILLER: I will be abstaining from this
10 matter.

11 CHAIRPERSON YEE: Okay. Very well. Member
12 Miller will be abstaining from this item.

13 So let me turn to see if there are any members
14 from the public who wish to address the Board on this
15 item.

16 (No response.)

17 CHAIRPERSON YEE: Seeing none approaching -- no
18 one approaching the Board in the auditorium, any members
19 of the public on the teleconference line?

20 PHONE MODERATOR: Members of the public on the
21 phone line, if you would like to place yourself in the
22 queue for public comment, as a reminder, you may press
23 1, then 0, at this time.

24 (No response.)

25 PHONE MODERATOR: No members of the public are

1 queuing up at this time.

2 Please continue.

3 CHAIRPERSON YEE: Okay. Thank you very much.

4 MEMBER EVANS: Motion.

5 CHAIRPERSON YEE: Okay. Great. Thank you,
6 Member Evans.

7 We have a motion by Member Evans.

8 I will second that motion.

9 Noting Member Miller is abstaining.

10 Without objection, such will be the order.

11 Thank you very much. Thank you very much.

12 Item number 4, Members.

13 Let me go ahead and just set the stage for this.

14 Item Number 4 is the Annual Taxpayer Bill of Rights
15 Hearing. This is the time that is set for the Board's
16 Annual Taxpayer Bill of Rights Hearing as required by
17 Section 21006 of the Revenue and Taxation Code.

18 The purpose of this hearing is to allow taxpayers
19 and tax practitioners the opportunity to present
20 directly to the Board any proposals they may have for
21 changes in existing state income tax law.

22 FTB staff is available to respond to member
23 questions, which may be raised as a result of taxpayer
24 proposals.

25 And present are Selvi Stanislaus, our Executive

1 Officer; Jozel Brunett, our Chief Counsel; Shane
2 Hofeling, our Deputy Chief Counsel, Denis Armstrong, our
3 Legislative Services Bureau Director; and Brenda Voet,
4 our Taxpayer Rights Advocate.

5 Staff will analyze the fiscal and administrative
6 consequences of the proposals and will provide responses
7 at a later time.

8 Brenda has some introductory comments, and then
9 we will open it up for public comment. And if any
10 individuals need electric switching system assistance,
11 they can call 1-800-883-5910. Again, 1-800-883-5910.
12 And, when prompted, press 5 and then follow the
13 additional prompts. So we will allow members of the
14 public five minutes each to present to the Board.

15 And, Brenda, let me turn it over to you to make
16 your introductory comments.

17 Good morning.

18 MS. VOET: Good morning. And thank you, Madam
19 Chair and Board Members.

20 My name is Brenda Voet, and I have the privilege
21 of being the Taxpayer Advocate for the Franchise Tax
22 Board.

23 I would like to take a moment to first thank
24 Controller Yee for her many invitations to participate
25 in small business seminars she hosted during her time as

1 a board member of the Board of Equalization and as
2 Controller. It was my honor to speak at many of these
3 seminars to explain common forms of business ownership.
4 Controller Yee, your seminars made it possible for the
5 Taxpayer Rights Advocate team members to speak to
6 thousands of small business owners and potential owners
7 throughout California and help them understand the basic
8 filing and tax responsibilities for the various forms of
9 ownership available to them.

10 I would also like to thank Controller Yee for
11 providing her valuable perspective, experience, and
12 support of Franchise Tax Board's innovative solutions,
13 as we continually strive to optimize services we provide
14 to California taxpayers and tax professionals.

15 So now I will move on to the Taxpayer Bill of
16 Rights Hearing portion.

17 For those presenting proposals today, I want to
18 let them know that we will review their comments and
19 concerns presented and are committed to responding in
20 writing by February 1st of 2023. The responses will
21 also be posted on the Franchise Tax Board's website.
22 You can go to ftb.ca.gov and search for "your taxpayer
23 rights," and this will take you to where the responses
24 will be posted.

25 If you did not submit a formal letter prior to

1 the hearing, but you would like our response mailed to
2 you, all you need to do is provide us with your name and
3 address. You can do this by emailing us at -- one
4 word -- ftbadvocate@ftb.ca.gov. This email address can
5 also be found on our website by searching for "taxpayer
6 advocate services."

7 Madam Chair.

8 CHAIRPERSON YEE: Thank you very much, Brenda,
9 for your comments.

10 We will now open it up to any member of the
11 public that would like to make a comment. And please
12 remember to introduce yourself and who you represent, if
13 applicable. And we would like to request that you limit
14 your comments to five minutes so that everyone will have
15 an opportunity to speak.

16 First we will take comments from the public on
17 the phone line, and then we will take comments from
18 public -- from the public in the audience.

19 Is there a member of the public on the
20 teleconference line who would like to comment.

21 PHONE MODERATOR: Members of the public on the
22 phone line, if you would like to place yourself in the
23 queue for public comment, as a reminder, you may press
24 1, then 0, at this time.

25 We'll go to the line of Christine Grab. Please

1 go ahead.

2 MS. GRAB: My name is Christine Grab for the
3 people of California.

4 I present 11 items:

5 1. The IRS treats married couples as one
6 taxpaying entity for the moment IRS is -- (audio
7 malfunction) -- and how IRS is notified that the status
8 has changed. FTB does not follow this precedent. FTB
9 readily admits it treats married people differently than
10 single people in a manner which penalizes the married.
11 This is a violation of the 14th Amendment of the U.S.
12 Constitution, which states that government has to treat
13 all classes of people equally.

14 My wish is that California law be changed to
15 conform with federal requirements.

16 2. In California -- (audio malfunction) --
17 required to prove to a judge that a debt is owed and get
18 a court order in order to impose a wage garnishment,
19 bank levy, or lien. The exception is the tax bureaus.

20 My wish is that this loophole be closed and that
21 the tax bureaus be required to prove to a superior court
22 judge that the debt is legally owed prior to deploying
23 collection tools.

24 3. Repeal Revenue and Tax Code 19179(c)(2), as
25 it is direct violation of Tax Code Sections 21010 and

1 20102, which guarantees the right to protest as a part
2 of the California Taxpayer Bill of Rights.

3 4. FTB collects many types of payments that it
4 does not immediately credit to taxpayers' accounts.

5 I expect full disclosure of all policies and
6 procedures surrounding these payments, including an
7 exhaustive list of all types of payments that are not
8 immediately applied, when these payments do get applied,
9 to ensure the money is implied -- applied, and which
10 laws justify these practices.

11 Furthermore, I expect specific identification of
12 the custodian of the withheld monies, at what point the
13 monies are considered revenue by the State of
14 California, whether spending is authorized on the
15 suspense accounts containing the withheld monies, and,
16 if so, who legally may spend this money and for what
17 purpose.

18 5. I expect an exhaustive -- (audio
19 malfunction) -- all payments which are immediately
20 applied to the taxpayer's account upon receipt by FTB.

21 6. For the purpose of calculating interest, FTB
22 only recognizes some of the payments that have been made
23 and only portions of other payments. I expect full
24 disclosure of the policy and guidelines for determining
25 which payment and portions of payment are withheld for

1 the purpose of calculating interest.

2 7. My wish is that all payments and
3 correspondence that FTB receives are processed within 24
4 hours.

5 Currently, FTB processes correspondence received
6 via free or low-cost methods, slower than it processes
7 correspondence sent via expensive methods, which
8 penalizes the poor. This violates Revenue and Tax Code
9 21027 and the 14th Amendment of the U.S. Constitution.

10 8. My wish is that FTB comply with Revenue and
11 Tax Code 19117 by putting full amortization schedules on
12 each bill. Information should -- (audio malfunction) --
13 balance, interest rates, the dates the interest began
14 accruing, and an explanation of why some payments or
15 portions of payments are not included in a principal
16 balance.

17 9. Revenue and Tax Code 19087 states that a
18 Notice of Proposed Assessment can only be issued on
19 accounts that have an outstanding tax liability due for
20 the year. Withheld payments are not credited in the
21 NPA.

22 I expect the legal code to justify not crediting
23 all payments on the NPA.

24 FTB also does not allow protests on the basis if
25 the amount of money collected was underreported.

1 I expect the legal codes to justify denying the
2 right to protest on these grounds.

3 10. On FTB's website, it states the Taxpayer
4 Rights Advocate will not accept your case if it
5 questions the constitutionality of the tax system or tax
6 laws.

7 This is unconscionable. It is the job of the
8 Advocate to ensure that FTB properly protects federal
9 and state rights.

10 My wish is that this guideline be removed so that
11 the Advocate can fulfill her job duties.

12 11. My wish is that FTB refer to taxpayers as
13 "constituents" instead of as "clients." FTB staff are
14 public servants who are employed by the taxpayers. We
15 are your bosses, not your clients.

16 Thank you very much.

17 CHAIRPERSON YEE: Thank you, Ms. Grab, for
18 presenting all of your issues. And we will be taking
19 those under submission, and you will be receiving a
20 response by February 1st.

21 Thank you.

22 Our next member of the public.

23 PHONE MODERATOR: We will now go to the line of
24 Renee Rodda.

25 Please go ahead.

1 MS. RODDA: Thank you. My name is Renee Rodda
2 from Spidell Publishing.

3 I would like to thank the Board Members and
4 Chairwoman Yee for giving us the opportunity to share
5 our thoughts and express some gratitude about our
6 relationship with the Franchise Tax Board.

7 As you know, Spidell provides tax training,
8 support, and updates to more than 20,000 tax
9 professionals every year, with the vast majority of our
10 clients serving California taxpayers.

11 We're partnered with the Franchise Tax Board to
12 assist tax professionals and taxpayers in understanding
13 California's complex tax laws to ensure compliance with
14 those laws.

15 This year has been no exception, and due to large
16 turnover in the Advocate's Office last year, we were
17 apprehensive about how our partnership would work going
18 forward. So we're pleased to inform you that our
19 partnership is still going strong, and we appreciate the
20 relationship we have with the Franchise Tax Board and
21 the Advocate's Office.

22 We want to take a moment to commend Angela Jones,
23 our liaison in the office, for her professionalism,
24 dedication, and commitment to server -- serving
25 taxpayers' needs. She is tireless in her efforts to

1 assist tax practitioners and taxpayers and she goes
2 above and beyond to make sure our partnership not only
3 continues, but strengthens, with the goal of making sure
4 that taxpayers' needs are being met.

5 Our praise also extends to the other FTB staff
6 with whom we work. And some examples of our successes
7 over the last year, I think, are important to note.

8 First, there was a rapid fix to some form errors
9 that were discovered. Notably, when we noticed that
10 form instructions concerning the excess business loss
11 were inadvertently causing taxpayers to lose out on
12 valuable excess business loss carryover, FTB staff
13 responded almost immediately to revise the form to
14 address the issues, and then followed up with FTB news
15 alerts and articles to make sure taxpayers were informed
16 about these changes.

17 FTB staff also responded to our concerns about
18 new California tax basis reporting requirements that
19 were included in 2021 form instructions.

20 After pushback from the tax community for not
21 giving any forewarning of this new requirement, the FTB
22 was able to grant a one-year reprieve and is allowing
23 entities to provide their partners' and members' capital
24 accounts using their federal tax basis for the 2021
25 taxable year. We really appreciate this assistance.

1 As far as taxpayer communications go, we continue
2 to work with Angela and other staff to make sure that
3 the pass-through entity elective tax FAQs address the
4 various questions that tax professionals were raising.

5 We were pleased to see that many of the questions
6 we raised were added to these FAQs. However, as I will
7 note in a moment, we would like to see this project
8 expanded even further.

9 We want to acknowledge the outstanding job that
10 the FTB staff did in timely posting FAQs regarding the
11 middle class tax refunds. These questions were well
12 thought out and very thorough. We hope to continue to
13 see the FTB develop similar FAQs and education campaigns
14 on other emerging topics.

15 It's very easy to point out where government
16 isn't working, and we really want to take the time to
17 point out where we think it's working well. So thank
18 you for that opportunity.

19 I do want to point out some areas where we think
20 there might be room for improvement. The first would be
21 sharing information on a timely fashion with the
22 taxpayer community.

23 We would like to work with the FTB to develop a
24 more systematic approach to ensure that important
25 information that is shared with Spidell, in response to

1 questions raised by tax professionals, is also shared
2 with the larger taxpayer community.

3 We believe that not only this -- will this be a
4 great service to taxpayers, it will provide a resource
5 for the FTB staff to use, to ensure consistent answers
6 are provided, and would also lessen the demands put on
7 the Tax Practitioner Hotline and Ask the Legal Expert
8 program.

9 Spidell recently publicized information that's
10 been shared with us from FTB Legal. However, when
11 practitioners asked us for citations or links to where
12 the information can be validated on the FTB website, we
13 have nothing to offer. This results in practitioners
14 calling the hotline or sending questions to Ask the
15 Legal Expert.

16 In several instances this year, this resulted in
17 conflicting or incorrect information being provided
18 through the FTB channel, and we feel that sharing the
19 information on the website, in a public forum, would
20 limit those errors.

21 Major form changes should also be publicized
22 prior to their release. Last year, partnerships and
23 LLCs did not realize they were going to have to revise
24 how their capital accounts were reported until the forms
25 were released.

1 This led to widespread panic in the tax preparer
2 community, as they were not aware of the new
3 time-consuming requirement until they were in the middle
4 of filing season.

5 Fortunately, once the FTB received the feedback
6 from Spidell and others regarding the difficulties the
7 new requirement was causing, they deferred the mandate
8 for an additional year.

9 However, if this requirement could have been
10 communicated earlier, and not simply through a change in
11 the form instructions, a lot of unnecessary angst could
12 have been avoided.

13 We would also ask that you allow pass-through
14 entities to apply overpayments of taxes to the
15 pass-through entity elective tax. We have heard from
16 numerous tax professionals who have asked whether
17 overpayments of the 2021 pass-through entity elective
18 tax, or other taxes, such as the S Corporation that
19 income tax or LLC -- (audio malfunction) -- to be
20 applied to the June 15th, 2022, pass-through entities
21 elective tax prepayment.

22 It's our understanding that this is currently not
23 allowed. It would greatly benefit taxpayers if these
24 overpayments could be applied to the pass-through entity
25 elective tax, as it would prevent cash flow crunches for

1 entities that most currently wait for the overpayments
2 to be refunded, which could take many months.

3 We also request more consistency between the
4 e-file and Web Pay taxpayer ID number requirement.
5 General partnerships can e-file their returns using
6 their EIN, but must use an FTB-assigned partnership ID
7 number to use Web Pay.

8 Unfortunately, many taxpayers lose these numbers,
9 and we're aware of numerous taxpayers that were subject
10 to penalties because they were unable to timely use Web
11 Pay.

12 While the FTB has set up multiple ways for
13 taxpayers to access these ID numbers, we don't
14 understand the need to put taxpayers through these steps
15 and place additional demands on FTB staff and resources
16 as well.

17 And our final request is an update to Legal
18 Ruling 2014-01. This ruling addresses when out-of-state
19 LLCs or corporations, that are members of an LLC doing
20 business, are considered to be doing business in
21 California and, therefore, subject to California tax.
22 The holdings in this ruling have been overturned by the
23 California Court of Appeal in the "Swart Enterprises"
24 case and in an OTA precedential decision in Appeal of
25 "Jali" in 2017 and 2019.

1 However, the ruling has yet to be revised to
2 reflect these holdings, and taxpayers and tax
3 professionals reviewing this ruling would not know that
4 the ruling does not reflect current law.

5 We hope that we can work with the FTB to
6 successfully address these and other issues going
7 forward. And, again, we want to take a moment to thank
8 Selvi, Brenda, and Angela, as well as all of the other
9 FTB staff for your dedication and commitment to serving
10 the taxpayers of California.

11 Thank you.

12 CHAIRPERSON YEE: Thank you very much, Ms. Rodda,
13 for your comments.

14 And I too want to express our appreciation for
15 the partnership with Spidell and very much have a shared
16 commitment to serving the taxpayers of California with
17 the highest degree of professionalism and excellence.

18 Thank you.

19 Our next member of the public on the
20 teleconference line.

21 PHONE MODERATOR: No additional members of the
22 public are queuing up at this time.

23 Please continue.

24 CHAIRPERSON YEE: Very well. Thank you very
25 much.

1 Let me just see if there are any members of the
2 public in the audience who wish to come address the
3 Board.

4 (No response.)

5 CHAIRPERSON YEE: Seeing none coming forward, I
6 will turn it back to you.

7 MS. VOET: So thank you very much.

8 I really appreciate all those that provided their
9 proposals today. And as I stated earlier, we will
10 provide our replies in writing by February 1st of 2023.
11 Their partnership really does help us identify areas
12 where we can improve the information and services we
13 provide to California taxpayers and tax professionals.

14 So thank you.

15 CHAIRPERSON YEE: Thank you very much, Brenda.
16 And thank you for your kind words at the beginning of
17 your remarks.

18 And very much appreciate the services of your --
19 of you and your team and always look forward to this
20 part of our annual -- annual meetings. Thank you.

21 Members or comments -- or members or questions --
22 questions or comments, Members, on this item?

23 (No response.)

24 CHAIRPERSON YEE: Okay. Very well. Thank you
25 very much.

1 All right. Now let's move on to Item Number 5.
2 This is the Executive Officer's Time. And let me turn
3 it over now to Selvi Stanislaus.

4 EXECUTIVE OFFICER STANISLAUS: So thank you,
5 Madam Chair. And good morning, Board Members. I would
6 like to begin my time today to acknowledge the
7 retirement of Teri Dowd, Director of the Accounts
8 Receivable Management Division.

9 Controller, back to you.

10 CHAIRPERSON YEE: Thank you very much.

11 First of all, let me just say thank you. We are
12 very happy to recognize Teri today with the retirement
13 resolution and really celebrating her over 30 years with
14 the Franchise Tax Board.

15 It is -- it is just really remarkable, and I want
16 to also welcome Teri's family who is joining us today.
17 Teri is joined today by her son, Christian Rau;
18 daughter, Sydney Rau; mother, Barbara Dowd; sister, Debi
19 Emery; brother-in-law, Scott Emery; and honored friend,
20 Anthony James.

21 Welcome to all of you.

22 When I -- as I think about all of the members of
23 the FTB team who we celebrate and their years of service
24 here, each individual just has contributed such amazing
25 work over their time here, and Teri is no exception.

1 And I'm going to read her resolution, because you
2 will see just what a wonderful resource she was to so
3 many here at the Franchise Tax Board.

4 So whereas, Ms. Teri Dowd, who began her
5 Franchise Tax Board career in 1992, is known for her
6 honesty and wit, as well as being a manager's manager
7 and being proud to have spent her entire career in the
8 ARM Division; and

9 Whereas, Ms. Teri Dowd implemented the Federal
10 Treasury Offset Program and served as go-to project
11 manager for numerous initiatives, including new
12 collection programs, who was never too busy to offer
13 support or share a laugh; and

14 Whereas, Ms. Teri Dowd is a leader and mentor,
15 brilliant at developing teams, answering tough
16 questions, while also making sure her team was properly
17 prepared and supported; and

18 Whereas, Ms. Teri Dowd demonstrated her
19 thoughtfulness by always doing the right thing, and the
20 ability to recall information at a moment's notice, and
21 always encouraged a dry run or two for all
22 presentations; and

23 Whereas, Ms. Teri Dowd, who is a self-proclaimed
24 introvert, the consummate inspiration for excellence,
25 and can best be described in the acronym SOLID:

1 Selfless, open minded, leader who listens, interactive,
2 dependable; and

3 Whereas, Ms. Teri Dowd, who is an awesome FTB
4 family member and friend, who followed in her mother
5 Barbara's footsteps with a career at FTB, is a proud
6 mother herself of children Christian and Sydney Rau, who
7 loves a "staycation," who is a published author, who is
8 happy to hook up a drip system using her MacGyver tool
9 box -- oh, you and I would get along just fine -- and
10 who is a colleague who came into our lives and made a
11 meaningful and lasting impact;

12 Now, therefore, let it be resolved this eighth
13 day of December 2022, by the Franchise Tax Board that we
14 recognize and thank Ms. Teri Dowd, on the day of her
15 retirement, for her professional and personal dedication
16 during 30 years to the Franchise Tax Board, most
17 importantly, to the people of the State of California.

18 Congratulations. And we wish you all the best as
19 you embark on your next chapter.

20 (Applause.)

21 MS. DOWD: I have a few words here. So good
22 morning and thank you, Madam Chair. Wow. What an honor
23 to close my career at the same time you are ending this
24 chapter of your career. I have learned a lot from you
25 over the years, over the last eight years, watching you

1 as you chaired the Franchise Tax Board with wisdom,
2 strength, and grace.

3 To all the Board Members, past and present.
4 Thank you so much for your oversight and support to
5 ensure that FTB is successful in our mission to help
6 taxpayers file timely and accurate tax returns and pay
7 the correct amount to fund the services important to
8 Californians.

9 Selvi, thank you so much for the opportunity to
10 serve as one of your senior staff. I have most
11 certainly valued your trust and your support.

12 Thank you to all my peers, coworkers, and staff
13 for our collaboration, dedication, and coming through
14 for me when I have reached out for something.

15 You know, I have had a lot of mentors over the
16 years, and I have to say, I have grown the most with my
17 current Division Chief of ten years, Jennifer Fowler.
18 Jennifer, you are a great leader, and I appreciate you
19 giving me the room to grow and always providing me what
20 I needed to be successful. Even more so, I appreciate
21 the great friends we have become. See, that's the thing
22 about working here. It's like family. And I will
23 treasure all the lifelong friendships I have made here.

24 It's truly been an honor to serve the public for
25 the last 30 years. See, I'm a third generation of

1 public servants in my family. My grandmother, Judy
2 Tucker, was an elementary school teacher her entire
3 career. My mother, Barbara Dowd, who is with me here
4 today, was also a teacher for several years before
5 coming to FTB for most of her career. She retired from
6 FTB in 2005 with 26 years of state service. Thank you
7 for your persistence in handing me FTB job notices until
8 I finally listened.

9 (Laughter.)

10 MS. DOWD: So will there be a fourth generation?
11 Well, only my kids back there can decide that one.

12 Speaking of which, thank you to the rest of my
13 family and dear friends for all that you have done for
14 me over the years.

15 In closing, I'm truly honored and grateful to be
16 recognized today for serving the people of this great
17 State of California.

18 (Applause.)

19 CHAIRPERSON YEE: Thank you so much, Teri.

20 We would like to invite you to the stage for a
21 photograph with the Board Members. And I'm just going
22 to also offer an opportunity for your family to join you
23 on the stage as well.

24 (Applause.)

25 CHAIRPERSON YEE: And this is really like a

1 family here. So thank you so much, Teri.

2 With that, Selvi, I'm going to turn it back over
3 to you.

4 Thank you, Controller.

5 So once again, a heartfelt congratulations to
6 Teri on an outstanding career. I wish you nothing but
7 the best for your retirement, and I hope you enjoy time
8 with friends and family as much as we have enjoyed
9 having you in our family, Teri. And I want to sincerely
10 thank you for everything you have done for FTB.

11 I would also like to congratulate our Board
12 Member and now Controller-Elect, the Honorable Malia M.
13 Cohen. On behalf of FTB, we look forward to your
14 service as State Controller.

15 So Ms. Cohen, your continued dedication to the
16 more than 10 million Californians in the BOE Second
17 District has been of great value to this Board, and I
18 know that you will continue in your role as Controller.
19 We sincerely appreciate the important perspective you
20 will bring.

21 And as always, thank you, Member Miller, for your
22 wisdom and guidance and support year after year. We
23 truly, and I truly, appreciate you.

24 And now, I turn to our Chair and the Controller,
25 the Honorable Betty T. Yee.

1 So Controller Yee, you have faithfully served the
2 people of California for eight years as State Controller
3 and as FTB Chair.

4 Throughout your two terms as Controller, you have
5 worked tirelessly to represent the best interests of
6 California's taxpayers, and you have been so
7 instrumental in leading FTB through eight successful tax
8 filing seasons. Your work does not come without
9 sacrificing precious time and energy away from your
10 family. So I would like to especially recognize and
11 thank your husband, Rabbi Steven Jacobs.

12 (Applause.)

13 EXECUTIVE OFFICER STANISLAUS: And we are
14 thrilled to have you here today, Rabbi. And thank you,
15 Rabbi Jacobs, for sharing the Controller with us all
16 these years.

17 So Controller Yee, as a small gesture of our
18 appreciation, a few of our FTB staff have put together a
19 video to express our thanks to -- for all that you have
20 done for FTB.

21 (Video played.)

22 (Applause.)

23 EXECUTIVE OFFICER STANISLAUS: So Controller Yee,
24 many FTB employees came forward to volunteer to be a
25 part of creating this video, both in front of and behind

1 the cameras. I can say that everyone involved was more
2 than thrilled to be a part of it, which exemplifies the
3 positive impact you have made in our FTB family.

4 Controller, as you can see, there are a lot of
5 people here at FTB who are extremely grateful for you
6 and your service.

7 Additionally, I understand that there are some
8 folks here who would like to make a few brief comments
9 to the Controller. If you do want to make a few
10 comments, it's time now. Please come up to the podium.

11 MS. TONG: Good morning, everyone. Betty, I am
12 here in my both role as a -- just a community member,
13 who I had the privilege to meet many, many years ago;
14 and also in my professional role as the secretary,
15 GovOps Agency.

16 And I really appreciate Selvi extend this
17 opportunity for me to come here and say a few word of
18 appreciation on behalf of the Government Operations
19 Agency and for those you who have impacted so much in
20 the community.

21 I still recall the days -- I wouldn't disclose
22 how many years ago -- that I have met you. But I was a
23 new member that -- you know, starting my community
24 volunteer services, I will say, more than two decades
25 ago.

1 And one of the individual, you, have -- you know,
2 have this impression that I have been, you know, left
3 with me. And I have seen you in so many events, rain or
4 shine, that you were always there, shaking people's
5 hand, talking to the community members individually, and
6 just listen to their voice, having a dialogue with them,
7 and really, really connect with them on what is the best
8 and what is the voice of the community.

9 There are times I see you there by yourself.
10 There are times I see you there with your wonderful
11 husband, Steve. And it's no kidding when Selvi is
12 saying that -- thank you, Steve, for sharing Betty with
13 us, and thank you, for both of you and her, of
14 constantly investing so much in the community that you
15 live in.

16 On a professional level, again, many, many years
17 ago, I have watched you from afar, from the various role
18 that you have. But in the past five years -- or years
19 or so, by stepping into a position that are -- in this
20 state, that have a lot of -- a lot of responsibility on
21 my shoulder. You were the first one to reach out and
22 congratulate me into that role. And through that --
23 that time, there were definitely ups and downs, and some
24 of them were very, very difficult times that me and my
25 department had to go through. You were the first one

1 that reached out personally to check in, how am I doing.

2 And I just want to say that maybe a simple text
3 from you, but it really meant a lot for someone that
4 have gone through, you know, their career path, modeling
5 the best way on what they can do to be a public servant,
6 and have someone to look up to, as we all have, you
7 know, pointed out that -- the contribution that you have
8 made, as a public servant yourself, of really leading
9 the way and setting the bar high in terms of what a
10 public servant ought to be.

11 And today, I have the privilege to serve as the
12 secretary of GovOps Agency. And I wanted to make this
13 personal appreciation and express my personal gratitude
14 on the admiration, the tremendous respect, not only
15 myself, but I know I can speak on behalf of many, many
16 people, that we all have for you.

17 And congratulate to you and Steve to hopefully to
18 have some fun and downtime ahead. And look forward to
19 seeing the next chapter of what you are going to
20 continue to accomplish.

21 Congratulations, Controller Yee.

22 (Applause.)

23 MR. GUTIERREZ: Good morning. My name is Rob
24 Gutierrez, president of the California Taxpayers
25 Association. Thank you, Selvi, for allowing us a moment

1 to recognize the tenure and service of our State
2 Controller. And Betty, it has been a pleasure to work
3 with you over the past eight years, and you have served
4 with dedication to the taxpayers. You have always done
5 this with an open door. And I really appreciate
6 everything you have done, working with our membership
7 over the last eight years, and just being available to
8 meet and discuss critical issues that have faced our
9 state and the taxpayers.

10 Again, you have served with the willingness to
11 listen to all perspectives at all times, and even when
12 those times have been difficult. And, for that, we're
13 truly grateful. We have had a lot of hard discussions
14 over the years.

15 But you have made sure that you brought everyone
16 to the table during these times. And for that, I think
17 you have helped facilitate those discussions and brought
18 people together. And so I think we're -- the taxpayers
19 are most grateful for that.

20 One of the things I most appreciate about you is
21 that you come from a tax world and you have -- you are
22 one of us. And so, you know, you have always viewed
23 issues on policy developments through the lens of, how
24 do we advance good tax policy. So I really appreciated
25 that.

1 You are leaving this position in good hands, and
2 so we're thankful for that. And we know this isn't
3 goodbye. So we look forward to working with you in the
4 future, and you deserve plenty of time off after these
5 past eight years. So hopefully you will get some rest.

6 But thank you so much for your service and
7 dedication to the taxpayers. We really appreciate you.

8 Thank you.

9 (Applause.)

10 MR. SPERRING: Good morning, Madam Chairwoman and
11 Honorable Members.

12 For the record, my name is Jon Sperring, and I'm
13 a tax partner at PricewaterhouseCoopers.

14 It was 20 years ago that Betty Yee became Carole
15 Migden's Chief of Staff at the State Board of
16 Equalization. At that time, few could have anticipated
17 the outside role -- the outsized role that Betty Yee
18 would have in the administration of California's tax
19 laws.

20 Over the course of the last 20 years -- 12
21 elected BOE and 8 as State Controller -- Betty Yee has
22 adjudicated thousands of tax appeals, approved scores of
23 tax regulations, approved thousands of settlements,
24 voted on precedent-setting litigation matters, and had a
25 voice in key personnel decisions at the BOE and FTB.

1 But the exemplary fulfillment of her statutory
2 duties does not tell the complete story of Betty Yee's
3 legacy. And, of course, her professional legacy is not
4 limited to tax.

5 It's easy for us in the tax world to forget
6 Betty's career in public service started two decades
7 before joining the BOE, where she earned a reputation as
8 one of the most knowledgeable people in the capital on
9 the state budget.

10 However, it is her impact and legacy on tax
11 administration that I want to call out for special
12 attention. And it's particularly appropriate that we
13 are honoring her at a meeting of California's largest
14 tax agency.

15 In an era of increasing polarization and coarse
16 language, Betty has arrived -- has strived to keep the
17 discourse between the FTB and taxpayers courteous and
18 high-minded. She welcomes all perspectives and has --
19 and has always strived to apply the tax laws in an
20 impartial manner. She has worked tirelessly for fair
21 and efficient administration of California's tax laws.
22 Betty based her decisions on facts, not preconceptions.
23 This meant that she always did her homework and she
24 always had an open door.

25 It is now incumbent on everyone in this room,

1 especially the leaders of the FTB, to continue Betty's
2 legacy; to ensure that the voice of taxpayers is always
3 included in the administration of California's tax laws.

4 And so without further ado, it is my honor to
5 present Controller Betty Yee with this plaque from
6 CalCPA to express the association's deep appreciation
7 for her many years in public service to the State of
8 California in tax administration and tax policy.

9 (Applause.)

10 MS. MAGERS: Controller Yee, Members, I'm Gerri
11 Magers, and I'm a member of the EDR2 project.

12 And I've had the absolute delight of working with
13 Betty Yee over many years, 32 years, while I worked for
14 the State of California, and bounced into her many times
15 at the Department of Finance, where she started to say
16 to the IT community, "You need a closer relationship
17 with the program to get better results in IT, and I
18 expect you and your community to start implementing that
19 in a manner that is -- shows that close relationship."

20 After I worked for the State of California, I
21 joined a large consulting company. And in that regard,
22 I met with Betty quite frequently because she was the
23 Chair of the Franchise Tax Board while we were doing the
24 EDR1 project. And that was the most fun, because she
25 came out and, in her very charming way, she said, "I

1 have some things to tell you about that I expect. You
2 have a tremendous responsibility to make sure that the
3 EDR2 -- the EDR system is easy for the taxpayer to use."

4 And then she said, "2. I want to make sure that
5 compliance isn't a hardship."

6 "3. I want you to deliver all the revenue that
7 you said that you were going to deliver on this
8 project."

9 "4. I would like you to meet the business
10 requirements."

11 And then she charmingly smiled at us and gave us
12 this stare, which I understood meant, "and don't screw
13 up a department that is working well."

14 (Laughter.)

15 MS. MAGERS: Okay? So she did that -- but I
16 mean, many people do that in terms of a threat. Behind
17 the threat comes the support, and the support is that if
18 we hit a hiccup, she was there to kind of -- with our
19 CEO, to kind of guide us through it and give us advice.
20 And she showed us what the meaning of partnership was,
21 and she actively supported us through a very successful
22 project.

23 We believe that you exemplify, in the best way, a
24 public servant. And we hope your retirement is only a
25 step to more offices, to help support it, and the IT

1 community will be behind you because of your support for
2 us.

3 Thank you.

4 (Applause.)

5 MS. STOWERS: Good morning. I am Yvette Stowers,
6 Executive Director for the Board of Equalization.

7 I would like to express my deepest appreciation,
8 respect, for Controller Betty T. Yee.

9 Over the past 14 years, I have had the
10 opportunity and honor to witness Controller Yee's
11 commitment to public service. She is a leader with
12 integrity, who always treat people with respect and
13 kindness.

14 Over the years, Controller Yee has championed
15 financial literacy, empowerment for working families,
16 and a fair and equitable tax system.

17 As a tax champion, she has supported education
18 and outreach of the following: California Earned Income
19 Tax Credit; Young Child Tax Credit; federal tax credits;
20 free tax return preparation; VITA; tax amnesty;
21 voluntary compliance I and II. I got the giggles.
22 COVID-19 tax relief; extending tax preparer deadlines;
23 extending and deferring collections; gig economy; and
24 tax compliance; same-sex married couples; and registered
25 domestic partners in tax filing; and so many, many more.

1 Her breadth of tax law is exceptional.

2 Controller Yee, as the First District member for
3 the BOE, and in her role as the Controller, has heard
4 and decided thousands of complex and emotional tax
5 cases, including like-kind exchange; swap and drop;
6 apportionment distortion; 25137 petitions -- that was to
7 Jon Sperring -- business and nonbusiness income
8 determination; unitary determination; trust tax ability;
9 R&D credit; manufacturers credit; EZ hiring credit; and
10 other state tax credit.

11 When deciding the appeals, Controller Yee
12 remained neutral, objective, and transparent. Her vote
13 on the cases was always based on a clear understanding
14 of the disputed issues, facts and evidence provided, and
15 the appropriate law. She had a comprehensive analysis
16 of the issues.

17 In closing, Controller Yee has been one of the
18 most consequential State Controllers and BOE members.
19 Thank you for your leadership, your service, your
20 mentorship, your friendship, and your sisterhood.

21 (Applause.)

22 EXECUTIVE OFFICER STANISLAUS: And I believe we
23 have one more Speaker.

24 Anthony, go ahead.

25 MR. EPOLITE: Thank you, Yvette. I'm

1 Ms. Stowers' successor as the Controller's Deputy.

2 Controller Yee, fellow Board Members, I first met
3 the Controller back in 2003, when she was the Chief of
4 Staff to a board member -- Board of Equalization member,
5 and I was an attorney in BOE Legal.

6 Through the years, I presented before the Board.
7 And there was the Board Member Yee, and then Controller
8 Yee, always gracious and kind. She was different than
9 the other board members, always with a smile, pleasant
10 to all.

11 Now, fast forward to today, and I have had the
12 opportunity to work directly for you and be a part of
13 your staff and the tremendous team that you have
14 assembled. I would like to thank you for that. It has
15 been my honor and privilege to be your deputy. I wish
16 you well in all that lies ahead.

17 Thank you.

18 (Applause.)

19 EXECUTIVE OFFICER STANISLAUS: So thank you, all,
20 for sharing those kind words.

21 Controller Yee, the video and words shared today
22 captures just a snippet of what you have meant to FTB
23 and to the people of California. We also wanted to
24 permanently recognize your record of dedicated service
25 and highlight just some of the characteristics that

1 speak to your commitment and dedication.

2 So, as a small token of our appreciation, we
3 would like to present you with a special resolution. I
4 have it right here, which I will read some parts of it
5 now:

6 Whereas, Controller Betty T. Yee has faithfully
7 served California's taxpayers, the tax professional
8 community, and Franchise Tax Board's employees, as a
9 member of the Franchise Tax Board since 2007, including
10 three years as the Chair of the Board of Equalization,
11 and eight years as State Controller, and the Chair of
12 the Franchise Tax Board; and

13 Whereas, Controller Yee is a friendly and
14 welcoming face on our FTB campus. We gratefully
15 acknowledge her many contributions that improve our
16 customer service and taxpayer experience, including Tax
17 Day media interviews at 3:00 o'clock in the morning,
18 graciously participating at VITA events, and always
19 supporting FTB; and

20 Whereas, Controller Yee is a thoughtful and
21 compassionate leader, a devoted colleague, who works
22 tirelessly to ensure a healthy and safe environment at
23 FTB, while maintaining excellent service to taxpayers
24 during the most challenging times, while never, ever
25 wavering on her commitments; and

1 Whereas, Controller Yee, who, when called upon to
2 bring economic relief to millions through the Golden
3 State Stimulus and middle class tax refund programs, was
4 instrumental in leading the successful disbursement of
5 billions of dollars to Californians in need; and

6 Whereas, Controller Yee, due to your own humble
7 beginnings, working for your own family small business,
8 you are a champion and advocate for countless other
9 small business owners who truly feel and appreciate your
10 ability to relate to the difficulties and challenges
11 they encounter; and

12 Whereas, Controller Yee, who is a forward
13 thinking leader and a champion for the public good, is a
14 beacon of stability and an inspiration to all of FTB.
15 And, but most of all, a dear friend to FTB and a dear,
16 dear friend to me, who will be greatly missed.

17 Now, therefore let it be resolved, this
18 eighth day of December 2022, that we recognize and
19 sincerely thank Betty T. Yee for her professional and
20 personal commitment to the FTB employees, the tax
21 professional community, and, most importantly, to the
22 people of the State of California.

23 And at this time, if we could have Rabbi Jacobs
24 join us for a photograph.

25 (Applause.)

1 MEMBER EVANS: On behalf of Ms. Cohen, I just
2 want to take the opportunity to first just thank you.
3 Thank you.

4 Many of you know that Ms. Cohen and Controller
5 Yee both come from San Francisco, and from Ms. Cohen's
6 perspective, from the day she was sworn into office, you
7 have been there in so many ways: Your leadership, your
8 guidance, your counsel has just been phenomenal. She
9 truly believes that you have been a partner in the
10 business and appreciates your many, many hours and
11 discussions, and just your service. And you have made a
12 difference in her service to the State of California.

13 She knows this is a well overdue -- don't even
14 want to call it a departure, right? It's just going to
15 be a little time off, and she is saying "pause" -- and I
16 think that's the appropriate term -- before you go on to
17 the next chapter in your life. But she wants you to
18 know that she is so proud of you, and she is so proud of
19 your service, not only to the employees and the many
20 staff within the state, but the residents of the state
21 of California, and it has made a world of difference.
22 What a legacy, what a contribution.

23 I would also like to say, many of you don't know
24 that Betty Yee and I joined California government as
25 Senate Fellows. We both entered into the same office.

1 I think I was a year before her.

2 And it's been amazing to watch you. It's been
3 amazing to watch what God has done with your life and
4 how you have walked into all those doors and you have
5 stood tall and you have served.

6 And I know we have talked about Rabbi Jacobs and
7 the fact that he has shared you with us. But, Rabbi
8 Jacobs, I also want to thank Betty for sharing you with
9 us, because you have also been just there in so many
10 ways, so many conversations, and so many contributions.
11 So, Betty, thank you for sharing him with us.

12 Thank you for your service. And I just extend to
13 you your -- our very, very -- gratitude and appreciation
14 for everything you have done, not only for Ms. Cohen in
15 our office but, again, for the great State of
16 California.

17 Thank you.

18 (Applause.)

19 MEMBER MILLER: This is bittersweet indeed.

20 I also have known the Controller for 25 years,
21 and we will see if I can get through this.

22 The -- I think the most urgent question that the
23 Controller has asked, since you were a staffer in the
24 Assembly Appropriations Committee, is really the urgent
25 question of what you can do to serve, what you could do

1 to show up and to help others, to provide for others the
2 opportunity your amazing mom, that you have -- that
3 brought you here. And the hope that they had for their
4 children and their family, as a kindergartner in
5 California, showing the opportunity.

6 It is -- it's truly incredible and there is
7 really nobody like you in, really, the world. It's the
8 idea of this -- Rabbi Jacobs, I think of hineni, like
9 "here I am."

10 The Controller, with your support and your soul,
11 really has -- just says "here I am," ready to serve,
12 with incredible humility and grace.

13 And it is -- it has been no small feat to get
14 through the personal and professional challenges, and
15 the years and the accomplishments are too many to
16 enumerate. But it is -- it is truly -- it's a personal
17 loss and a loss to the State of California, and I do
18 look forward to your continued service in so many ways.
19 And I just am -- I am so incredibly grateful and cannot
20 tell you how deeply I appreciate. And I think the best
21 we can do, in your legacy, is try to be more like you
22 and try to show up and be for all the people that you
23 care so deeply about, the things we know about and all
24 the things we don't. So truly, truly, from the bottom
25 of my heart. Thank you.

1 Thank you, Rabbi.

2 (Applause.)

3 CHAIRPERSON YEE: Thank you, Selvi.

4 I don't know that I would ever hand it over --
5 it's Executive Officer's Time. But, first of all, let
6 me just say, what an honor it's been to be a part of the
7 FTB family for all these many years. And it really and
8 truly is a family.

9 I think about the tax arena, really, in terms of
10 all of government, how difficult of an arena this is.
11 We're not the most popular, frankly, with a lot of the
12 people in the state of California or the people across
13 the United States, as it relates to the IRS.

14 But, you know, one of the things that I have
15 always felt about the service, particularly here, is
16 that as difficult as the issues can be, as personal as
17 the issues may be -- and Yvette, you forgot one of the
18 areas of tax cases that you know is truly my favorite,
19 and those were the residency cases.

20 (Laughter.)

21 CHAIRPERSON YEE: You know, it is -- the work
22 here has just always reminded me that these issues are
23 difficult, they are personal. They can affect people's
24 livelihoods. They can affect, really, the success of a
25 company or a business. And because it is so difficult.

1 There's really no need -- and I say this to be true in
2 all parts of our life. There's no reason to mow people
3 down. It's a motto I have carried with me, because
4 there's enough bad that just happens in the world around
5 us. And I just want to thank the members of the FTB
6 family for really understanding that.

7 You know, the level of customer service that we
8 provide at this organization is really one of the
9 highest that I have seen. And, in fact, we've been the
10 model for the IRS.

11 So I know that this is something that I hope will
12 continue to be the commitment for each and every one of
13 us here in this room and part of the FTB.

14 Let me just first say thank you for the kind
15 words that everyone has expressed. Selvi, whom I also
16 first met in 2003, when she was in the BOE's Legal
17 Department. You know, there's just something about
18 Selvi that was always about going the extra mile,
19 without asking.

20 And I don't know that many of you knew then Board
21 of Equalization Member Carole Migden, but when she had
22 questions, you were there 24/7. And I just know that
23 Selvi was there. And I remember, just, late hours that
24 she would come and see me in the office about a
25 particular appeals matter.

1 And I will just never forget how our friendship
2 started at that point. Her commitment, and what I saw
3 just continues to shine through in terms of her
4 commitment to service.

5 So it really is no surprise that she is the
6 Executive Officer of the Franchise Tax Board today, but
7 also know that she is also a role model for so many who
8 look to her for her leadership and her compassionate
9 leadership as well.

10 So Selvi, thank you very much for your friendship
11 and for just being an example of just how we can
12 continue to be leaders and continue to serve people.
13 But, again, not mow people down in the process.

14 To Jozel, to Shane, to the Legal folks here, it
15 actually felt really good to be here and to, like, be
16 colleagues rather than having to be an adjudicator and
17 getting to know the work of the Legal Division here.
18 It's so much more and this is tough work. And I just
19 want to thank all of the Legal Division, Jozel, under
20 your leadership, but the attorneys here -- bar none.
21 Some of the best and the brightest we have in tax law
22 throughout the country.

23 It is quite remarkable, when you think about just
24 some of the cases that come to us. We don't have a lot
25 of financial might, in terms of being able to put all

1 the resources to it, but we have the talent. And time
2 and time again, they have demonstrated just what it
3 means to really protect the interests of the State of
4 California, and we are so grateful for the service that
5 you have provided and will continue to provide.

6 To my colleagues on this Board, you are sharing
7 the responsibility of providing strategic guidance for
8 this organization; I just want to -- I'm very grateful
9 for. You know, one of the things I love about serving
10 on boards is just how we all come from very, very
11 different perspectives, and when you can put those all
12 together, I just always feel like you come out with the
13 best work product and the best outcome. And I don't
14 think the members of this Board have been shy about
15 sharing some of their perspectives, and I have always
16 been very, very appreciative of that.

17 And so I look forward to Member -- Board of
18 Equalization Chairwoman Cohen, a controller like Cohen,
19 really taking over the helm of this organization. She
20 will continue to serve the taxpayers of California with
21 distinction.

22 And to Member Miller, who we shared a friendship
23 for a very, very long time, but to see her leadership,
24 now with the Department of Finance. But just, I would
25 say, in terms of tax policy and knowledge of tax policy;

1 it's hard not to think about just who crafts a lot of
2 this and who gets to, you know, really be sure that most
3 of what we get into the books really work. And to now
4 see you really kind of have been all sides of that has
5 been just really thrilling for me, but also I know that
6 your service will continue.

7 We have been on a number of other boards
8 together, and I feel we're in good hands, whether it's
9 here at the Franchise Tax Board, at the State Lands
10 commission, at CalSTRS, a whole number of boards. But
11 you have someone who just puts a thousand percent into
12 all of our work and issues.

13 So thank you. Thank you.

14 To those who spoke today, Amy Tong, another --
15 another star who I have had a great opportunity and
16 pleasure to just see ascend in leadership and state
17 government, to be the Secretary of GovOps today. But
18 you really came in with the passion for IT, and thank
19 goodness that she has been just a go-to resource. And I
20 know -- as we continue to see Amy's contributions to
21 California. Again, really, always with a foot in the
22 community and understanding who it is that she serves.
23 So just very, very grateful that you were here today,
24 Amy. And we will -- we will be spending more time
25 together.

1 To Rob Gutierrez with CalTax, I have cherished my
2 relationship with CalTax. You know, one of the things
3 that I really believe in, and it's been really the role
4 of an adjudicator, I think, is to be open to all sides.

5 And I really have felt that my relationship with
6 CalTax has been a rich one. I have enjoyed really
7 meeting many of the interested leaders throughout
8 California, who are members of CalTax. But, more
9 importantly, you have been a tremendous resource to me.

10 You know, one of the things about tax law that I
11 find very, very enjoyable, and tax policy generally, is
12 that it really moves with the times. And I think it
13 probably needs to continue to do that at a quicker clip,
14 whether it's about just how we transact business, how we
15 look at -- with respect to some of our other taxes, how
16 we welcome new products into the marketplace, how we
17 adapt to changing lifestyles.

18 And I'm so happy to see the House today send a
19 bill to President Biden to codify marriage equality as a
20 federal law. You know, these are all things that
21 California was a leader in. And I hope that we continue
22 to look at tax policy as something that really embodies,
23 you know, what -- this should be reflective of what our
24 society is about and how we embrace all that is good and
25 valuable in our society.

1 But, Rob, you have allowed me the opportunity to
2 really meet many of the industry leaders. Because,
3 frankly, there's no substitute than understanding an
4 industry from those who actually are responsible for it.
5 And to really help put a framework around some of the
6 appeals cases we have heard to understand the operations
7 of the company; to really have a firsthand knowledge and
8 insight about how we craft regulations, that we don't
9 get to get out of our little box here in Sacramento very
10 much to really go and be on the ground to see some of
11 that.

12 So thank you for really allowing us that
13 opportunity.

14 To Jon Sperring, I always say to Jon, we grew up
15 together over the last 20 years, to see your
16 professional career soar well. I was pretty hard on Jon
17 in terms of homework assignments because it was never --
18 you know, when they -- when people come and see you
19 about cases and always want to know where you stand on a
20 case. I never would disclose where I would stand on a
21 case, but I would say here's what's missing. And bless
22 your heart, Jon, you did your best to always try to fill
23 in the missing gaps. Sometimes successful. Sometimes
24 not.

25 But I have truly enjoyed watching your

1 trajectory, your leadership at PwC, your family. This
2 is the crazy part. When you have been doing this for so
3 long, you get to know the kids and they are in college
4 and they're in careers. And it's fantastic.

5 But just really very much appreciate the
6 friendship we have been able to develop, even as we've
7 been adversaries in the past.

8 And this is really a testament to what it means
9 to be open, to, at the end of the day, know that there
10 still can be compassion shared about what is important
11 in life.

12 To -- oh, my goodness. Gerri Magers. It's great
13 to see you here. But I have to say to Gerri -- every
14 time I think about Gerri Magers, I think about, this is
15 the woman the IRS needs to thank for really taking on
16 this EDR2 project. But not just take it on. But it
17 is -- was always about how we were going to deliver a
18 product that the taxpayers could really feel like was
19 their friend. And we're there and we're getting closer.

20 And I'm just so proud of the work and the
21 relationship we have had with you and your wisdom that
22 you have brought to this work.

23 These are tough projects. I mean, there's no day
24 that goes by where there isn't something about a failed
25 IT project in the private sector or the public sector.

1 But in the public sector, failure is not an option
2 because we're accountable to the taxpayers of
3 California.

4 And so, Gerri, your commitment, your outreach in
5 terms of the expectations that we have of you not being
6 shy about, you know, calling -- calling things as they
7 are and allowing us to have that feedback, back and
8 forth, is just really invaluable.

9 And I also really truly honor and cherish our
10 friendship. Thank you for being here.

11 Yvette Stowers, my goodness.

12 Like I say, you can't do this work without a
13 team. Yvette has been pretty much a one-woman team for
14 me, for the last 14 years, almost 15 years.

15 And quite remarkable. She began her early career
16 here at the Franchise Tax Board, went into the private
17 sector for a bit, but now to be a stellar Executive
18 Director of the Board of Equalization and guiding the
19 members there. I can't think of anybody who is more
20 qualified and just prepared to do exactly that.

21 But to Yvette also, I want to thank you for just
22 always being so forthright and honest. And this is
23 where I really just cherish and value so many -- all the
24 members of my team. You know, we all bring our personal
25 perspectives to the work that we do.

1 And Yvette challenged me a few years ago and I do
2 want to say this publicly, because I think it's a
3 challenge for all of us.

4 It was a time when all of us were really reeling
5 and finding ourselves asking a lot of questions about
6 what to do about so much of what we were reading about
7 violence against the Black community. Gun violence
8 against the Black community.

9 And I checked in with Yvette shortly after one of
10 these incidents. And she was very candid with me. She
11 said, "I don't know what to say. I don't know what to
12 tell you. Because you actually work for a system that's
13 been part of the problem."

14 And think about that. And it was said in such a
15 loving way and a very thoughtful way. But in so many
16 ways, it's true. When we think about the history of our
17 country, when we think about California's history
18 emanating from that, and how discrimination was a part
19 of that, all the way through.

20 And this is the work that I believe we have to
21 continue to do better in, and it starts right here with
22 the FTB family and how we respect one another, how we
23 lift up our diversity, and how we look at just treating
24 each other with dignity every single day. And we do
25 that here, which is why we are able to serve the

1 taxpayers with compassion and just with all of the
2 professionalism that they deserve.

3 And so Yvette, thank you for being my personal
4 mentor and really sharing just so many perspectives that
5 I think go missing in many people's lives. I so
6 appreciate you and love you.

7 And to Anthony Epolite, 2003 on, I have enjoyed
8 watching your trajectory as well as a tax counsel. You
9 seamlessly became our Deputy Controller for Tax Policy
10 after Yvette's departure, and just such a critical part
11 of the team.

12 Anthony also is a CPA, so I get the full package.
13 And he has just been -- just stellar from when I first
14 met him in 2003 to today. Thorough, professional,
15 funny. Just wonderfully astute. And it has been,
16 really, just some of the really most fun months of our
17 time in the Controller's Office. Thank you for being a
18 part of that team.

19 Now, what I want to say, in conclusion, is this:
20 This is a pause. Service will always be a part of my
21 life. It is a pause primarily because for the first
22 time in 38 years, I'm not jumping into the next
23 opportunity. And I'm excited about that.

24 And I particularly want to thank my husband,
25 Steven, for understanding the demands of public life,

1 understanding the demands of politics, and understanding
2 that, you know, my -- my commitment to service is really
3 a 24/7 commitment. And he's been there every step of
4 the way. And I am just so, so grateful and I love you
5 so much.

6 But as this is a pause, I never forget that my
7 beginnings really were ones -- was one that did not have
8 me seeing myself being here in this place.

9 And Gayle, you summed it up nicely. You know,
10 hineni. "We are here. I am here." And service is
11 always going to be an order, so this is a pause. This a
12 pause because my mother will turn 100 in April and I
13 want to be there for -- to be sure that she is healthy,
14 to celebrate that, really, milestone, and she's been my
15 inspiration well.

16 But to look at just where I think we're headed,
17 relative to the State of California, and we are a model
18 and we are a leader, for not just the rest of the
19 nation, but the rest of the world.

20 And I'm hopeful. I'm hopeful that with the
21 dedication, collectively, that's in this room, that's
22 throughout state government, that we will continue to be
23 a model. And that we will transcend politics and that
24 we will transcend just, really, what I think are
25 misguided perspectives about what power really means.

1 This agency has power because we deliver for the
2 people of California every single day. And that is what
3 government, I believe, is. That is what, I think,
4 elected officials are. Position is not power. But,
5 really, delivering benefits and really being able to
6 serve is. It is something that I will carry with me. I
7 don't like to use the word "power" very much, as some
8 may know. But I know the power of what can be done to
9 transform people's lives. And we have done that here at
10 the Franchise Tax Board.

11 So I leave here very humbled and also very
12 content that we have delivered, in so many ways, to so
13 many people in the State of California, and could not
14 have done it without the family here, without the
15 village I have at the State Controller's Office. And it
16 is with tremendous and gratitude and pride that I leave
17 this great organization.

18 Thank you.

19 (Applause.)

20 CHAIRPERSON YEE: Thank you very much.

21 At this time let me see if there are any members
22 of the public who wish to come before the Board on any
23 item?

24 (No response.)

25 CHAIRPERSON YEE: Okay. Seeing none approaching

1 us in the auditorium, are there any members of the
2 public on the teleconference line?

3 PHONE MODERATOR: Members of the public on the
4 phone line, if you'd like to place yourself in the queue
5 for public comment, as a reminder, you may press 1, then
6 0, at this time.

7 And we'll go to the line of Ms. Sharp.

8 Please go ahead.

9 MS. SHARP: Yes, hi. My -- I do have a comment
10 and it's pertaining to the Golden Stimulus Payment II.
11 I'm sorry I lost signal. Then I had to get back in.

12 But I need to make aware how difficult this
13 situation is for me. It's been over a year and I still
14 have not received the Stimulus II payment. I got the
15 one. I just recently got the middle class. And I know
16 I'm qualified for it.

17 But for over a year, I've been dealing with the
18 Franchise Tax Board going around and around on why they
19 can't get me this payment. I got a lot of runaround
20 from the representatives from the Franchise Tax Board.
21 So then I had to go to the Tax Advocate for help.

22 And then in the summertime, they said that you
23 should get it within 12 weeks. Well, it's now been over
24 12 weeks. I still haven't gotten it.

25 When I talk back to the Tax Advocate Department

1 and asked for a hearing -- because this has been going
2 on for over a year -- they said that you can't get a
3 hearing for that.

4 CHAIRPERSON YEE: Let me -- I thank you for
5 calling. And this is exactly the type of issue that we
6 want to be sure we are addressing. Let me be sure that
7 we have your name and contact information and we will be
8 assigning someone to respond to you shortly after the
9 meeting.

10 MS. SHARP: I appreciate it. Thank you.

11 CHAIRPERSON YEE: Thank you.

12 MS. SHARP: Do I give it to you wait or do I just
13 wait until at the end, and then I give it to you?

14 EXECUTIVE OFFICER STANISLAUS: It's best if he
15 [sic] can email it so it's not a public information. So
16 Tanya, would you give your email address. It's Tanya
17 Kelley at --

18 MS. SHARP: Wait a minute. Let me get a pen. I
19 got to get a pen so I can write this down because I'm
20 actually in my car. Hold on.

21 EXECUTIVE OFFICER STANISLAUS: Tanya, would you
22 come to the podium and give him [sic] your -- and spell
23 out your email address.

24 Thank you, Tanya.

25 MS. KELLEY: Thank you.

1 MS. SHARP: Hi. Hello.

2 MS. KELLEY: Are you ready for the email address?

3 MS. SHARP: I sure am. Thank you so much.

4 (Ms. Kelley's email address was provided.)

5 MS. KELLEY: Yes, ma'am. That is correct. And I
6 will respond back to you directly. Thank you.

7 MS. SHARP: Okay. And I will send that out
8 today. I thank you for your help in trying to get this
9 resolved. I really appreciate your help.

10 CHAIRPERSON YEE: Thank you.

11 Are there any members of the public on the
12 teleconference line?

13 PHONE MODERATOR: There are no additional members
14 of the public queuing up at this time.

15 Please continue.

16 CHAIRPERSON YEE: Okay. Thank you very much.

17 Thank you, Members. Thank you, everyone, for
18 being here for this very special meeting for me today,
19 and just for always the commitment to our taxpayers
20 during our Annual Taxpayer Bill of Rights Hearing as
21 well.

22 Our next item is a closed session item. And so
23 the Board will be going into closed session at this time
24 in a neighboring room. We will return to the auditorium
25 upon conclusion of the closed session. So we ask that

1 the audience remain seated while the Board members exit
2 to the closed session.

3 Thank you.

4 (Closed session was held outside the
5 presence of the Certified Shorthand
6 Reporter: 10:44 a.m. to 11:34 a.m.)

7 CHAIRPERSON YEE: Thank you. Good afternoon, we
8 are -- or good morning still. We are reconvened in open
9 session. The Board met in closed session and we don't
10 have anything to report.

11 And so let me just ask if there's any other
12 business to come before this Board.

13 (No response.)

14 CHAIRPERSON YEE: Seeing none, we are adjourned.
15 Thank you very much, everyone.

16 (Proceedings concluded at 11:35 a.m.)

17 ---o0o---

18

19

20

21

22

23

24

25

CERTIFICATE OF REPORTER

I, KATHRYN S. SWANK, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing proceedings were reported in shorthand by me, Kathryn S. Swank, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said proceedings nor in any way interested in the outcome of said proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of January 2023.

/s/ Kathryn S. Swank
KATHRYN S. SWANK, CSR
Certified Shorthand Reporter
License No. 13061

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

E R R A T A S H E E T

Page	Line	Correction
<u>17</u>	<u>7</u>	"and how IRS is notified"; shall be replaced with "until the IRS is notified"
<u>26</u>	<u>18/19</u>	"such as the S Corporation that income tax or LLC (audio malfunction) to be applied"; shall be replaced with "such as the S Corporation net income tax or LLC gross receipts tax to be applied"
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>