

MICE Initiative Update PowerPoint

Franchise Tax Board Meeting
Monday, June 24, 2024

Slide 1: MICE Initiative Update

Presenters' Names: Matthew Miller – Legal Division and Doug Middleton – Audit Division
June 24, 2024

Slide 2: FTB Notice 2023-02

- Closing Agreements reverse deductions and related transaction costs
- Participation Period: July 10, 2023, until November 17, 2023
- FTB Notice 2023-03 extended participation to January 31, 2024

Slide 3: Micro-Captive Insurance Company Transaction

- Captive Insurance Company under IRC § 831(a)
- Micro-Captive Insurance Company under IRC § 831(b)
- Abusive Micro-Captive Insurance Company Transaction
 - False Business Deductions
 - Use of Untaxed Investment Fund

Slide 4: Syndicated Conservation Easement Transaction

- Conservation Easement
- Syndicated Conservation Easement
 - Promoter purchases vacant land worth little
 - Appraiser overvalues the land
 - Taxpayers receive improper charitable deductions

Slide 5: Results

	Closing Agreements Received	Tax Years Resolved	Additional Tax	Penalties	Total
PIT	216	603	\$25,033,754	\$3,783,100	\$28,816,854
BE	25	146	\$3,124,577	\$355,931	\$3,480,508
Trust	1	13	\$722,221	\$149,100	\$871,321

TOTAL	242	762	\$28,880,552	\$4,288,131	\$33,168,683
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- 242 Closing Agreements
- 762 separate tax years
- 8% participation rate
- \$28,880,552 in additional tax
- \$4,288,131 in penalties

Slide 6: Benefits to Taxpayers

- Resolved 762 tax years for 242 taxpayers
- Saved taxpayers the time and expenses of an audit
- Saved taxpayers penalties
- Provided taxpayers final resolutions

Slide 7: Benefits to California

- Saved FTB resources
- Freed up FTB resources
- Reduced tax gap
- May deter future participation in abusive tax schemes

Slide 8: Questions?

Slide 9: Public Comment