



STATE OF CALIFORNIA  
Taxpayers' Rights Advocate Office MS F385  
**FRANCHISE TAX BOARD**  
PO BOX 157  
SACRAMENTO CA 95741-0157

02.01.2024

Spidell Publishing LLC

Dear Renée Rodda:

Thank you for submitting your issues for the December 2023 Taxpayers' Bill of Rights Hearing. As the Taxpayers' Rights Advocate, your concerns are important to me.

The following responses are provided by the appropriate program areas within the department:

### **Submission**

Thank you, as always, for the opportunity to provide feedback concerning the FTB's operations over the last year. We know this year's never-ending filing season was challenging for all concerned. We commend the FTB's timely and clear communications concerning California's conformity to these postponements.

The FTB used FTB Tax News Flashes, FAQs, and Tax News articles effectively to ensure that taxpayers and tax professionals alike were informed about the constant changes that were occurring and to answer the most common questions that arose. Providing clear, practical, and timely guidance is critical to ensuring that taxpayers can comply with the state's ever-changing tax laws. FTB is making great strides toward this end in developing and continuing to update very practical and relevant FAQs such as the FAQs that were developed for the passthrough entity elective tax and the storm-related deadline postponements as well as the "What's New With Tax Forms" and "Draft Form" features that enable tax professionals to see what changes are coming in a timely fashion.

We have also noticed that the FTB Tax News articles are providing more practical and "how-to" compliance tips. Examples include the "Separate your Tax Payments this Filing Season" and the coverage of SB 131's change in the tax treatment for incomplete gift nongrantor trust income. We hope to see more of this practice/compliance-oriented information in future articles and publications.

The one area we would like to see improved continues to relate to the payments of the passthrough entity etax. Last year we suggested that the FTB allow an entity's tax overpayments to be applied toward the passthrough entity tax. The amount of passthrough entity tax paid by most entities is quite substantial. Providing a mechanism for an entity's other tax overpayments to be applied to the passthrough entity tax would alleviate many cashflow challenges faced by small- and medium-sized businesses who often are waiting over six months for overpayments to be processed and refunded. We

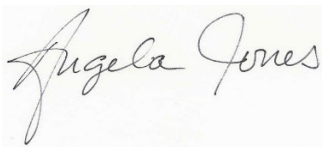
raised this issue last year and were told that the FTB would be further studying this issue. Any updates on potential solutions to this issue would be greatly appreciated.

Again, thank you Selvi, Angela, Judy, and all the FTB staff and board members for your dedication and commitment to the California taxpayers. We appreciate your partnership with Spidell and the tax professional community as a whole to ensure that California taxpayers are provided with the best services possible.

## Response

We researched our systems' ability to determine if the application of excess pass-through entity elective tax (PTET) payments could be applied to the subsequent year's estimated PTET payment. Unfortunately, our systems do not currently have the capability to perform transactions such as this. The resource cost to build the necessary functionality is very high and would likely take up to two years to complete. Given the short duration of the program (the program sunsets in 2025) and the additional costs incurred, we do not have plans to move forward with the system changes necessary to implement this option.

Sincerely,

A handwritten signature in cursive script that reads "Angela Jones". The signature is written in black ink on a light-colored background.

Angela Jones  
Taxpayers' Rights Advocate

cc: Malia M. Cohen

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Joe Stephenshaw

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