



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

02.01.23

Spidell Publishing, Inc.
P.O. Box 60144
Anaheim, CA 29803-6144

Dear Ms. Rodda:

Thank you for attending and presenting your issues at the December 2022 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:

1. Sharing information in a timely fashion with the taxpayer community

We evaluated our communication processes and will proactively move forward especially when we implement significant legislation affecting our filing programs, taxpayers, and the tax professional community. Already, we streamlined internal operations to include enhanced and consistent guidance and ongoing training for our public-facing employees in dealing with taxpayers and tax professionals. Next, we specifically plan to:

- Consider how to better solicit stakeholder input into the tax form process (significant new legislation and or programs) to ensure mutual understanding and ease of operations.
- Increase transparency and external communication with:
 - Targeted communications to the tax professional community in conjunction with the Taxpayers' Rights Advocate's Office.
 - Updates to the public website with new or clarified guidance as it becomes available.

2. Major form changes should be publicized prior to their release

Starting in November 2022, FTB launched a new [What's New with Tax Forms | FTB.ca.gov](https://www.ftb.ca.gov/what-s-new-with-tax-forms) where FTB will announce major form changes and major legislation that impacts California tax law prior to finalizing tax forms. FTB will continue to use this webpage to communicate upcoming tax form changes early.

3. Allow passthrough entities to apply overpayments of taxes to the passthrough entity elective tax

Thank you very much for raising this item for our consideration. We heard this recently from several channels. As a department, we looked at this question previously and we appreciate your continuous feedback. We are currently doing another detailed operational review of this item to determine our best path forward as it relates to us potentially being able to allow these overpayments to be moved forward as the pass-through entity elective tax payment. We will communicate the results of our review when it is complete, including making any necessary updates to our FAQs page, as well as our internal procedures.

4. More consistency between the e-file and Web Pay taxpayer identification number requirements


We understand your concern with the identification number changes regarding partnerships. FTB continues to maintain the goal of streamlining our processes whenever possible to ensure ease of use and effectiveness. The objective of this change was to provide consistency and improve the accurate processing of the returns and payments across our platforms, while still being flexible in our acceptance of information. Our platforms have different constraints and requirements for identification numbers to operate accurately and securely.

Unlike e-file software that is used to prepare and submit returns/payment requests, FTB's Web Pay application uses information in FTB's systems to assure payment requests are applied to the correct FTB account. Entity numbers transmitted on returns or payments via e-file software are accepted as submitted, regardless of whether the entity number may have been entered incorrectly. When this occurs, the return/payment may require manual review or could be applied to the entity number submitted in error via e-file software. With Web Pay matching the number entered to an entity in our system, the chance of a payment falling out for manual review or getting applied to the incorrect account is significantly reduced.

5. Update Legal Ruling 2014-01

After issuing Legal Ruling 2014-01, FTB subsequently issued additional guidance with FTB Notice 2017-01 and Legal Ruling 2018-01. Based on your suggestion, we updated the description of Legal Ruling 2014-01, and the document itself, on our public website to alert the public that we subsequently issued Notice 2017-01 and Legal Ruling 2018-01. We are continuing to evaluate whether additional guidance is necessary in light of *Appeal of Jali* and subsequent OTA decisions.

Sincerely,



Brenda Voet, EA
Taxpayers' Rights Advocate

cc: Joe Stephenshaw
Malia M. Cohen
Antonio Vazquez

Tel 916.845.5613
Fax 916.845.2226
ftb.ca.gov