



# Tax News

January 2022

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## Tax News Flash

### **Making Pass-Through Entity Elective Tax Payments before December 31, 2021**

The Pass-Through Entity elective tax payment can be made using [Web Pay](#). However, if you are unable to make electronic payments through our Web Pay payment application you may mail in a payment. Please include a [payment voucher, FTB 3893](#), make check payable to Franchise Tax Board, write the business name, tax year, and Entity ID on your payment.

Mail to:

Franchise Tax Board  
PO Box 942857  
Sacramento, CA 94257-0501

The Tax News Flash initially posted December 17, 2021 under our [Newsroom](#).

## CalSavers

### **FTB partnered with the CalSavers Retirement Savings Board**

FTB will partner with the [CalSavers Retirement Savings Board](#), as mandated by [AB 102 \(2020\)](#), to issue penalty imposition notices beginning this month, January 2022. The penalty imposition notices will be sent to eligible employers deemed by the CalSavers Retirement Savings Board to be noncompliant with the CalSavers Retirement Savings Program (CalSavers).

#### **Beginning January 2022, FTB will:**

- Send penalty imposition notices
- Collect payments
- Answer questions from eligible employers regarding penalty notices, and
  - route detailed questions to the CalSavers Retirement Savings Board customer service center
- Operate an appeals process for employer disputes not resolved directly by the CalSavers Retirement Savings Board

#### **What Employers Need to Do:**

By law, eligible employers must comply with the requirements of CalSavers, which includes registering and facilitating program requirements by specific deadlines.

To comply with CalSavers, visit the [CalSavers Employers](#) webpage to:

- Register
- Provide eligible employee information
- Remit employee contributions

Eligible employers will need their CalSavers access code located on their notice and Federal Employer Identification Number (FEIN) to complete the process.

If employers disagree with FTB's notices, they may:

- Contact the CalSavers Retirement Savings Board at:
  - [CalSavers Employers](#)
  - [clientservices@calsavers.com](mailto:clientservices@calsavers.com)
  - 877-258-8495 (M-F, 8 AM to 8 PM)
- Contact FTB
  - Weekdays, 8 AM to 5 PM
  - 866-563-2375
  - 916-845-7892 (outside the U.S.)
- Appeal penalties. Employers may appeal penalties within 90 days of the first FTB notice date (FTB 4230A). Employers cannot appeal penalties after FTB issues the final notice (FTB 4230B).

Find more information for [CalSavers Employers](#).

## Health Care Mandate

### Health Care Mandate Subsidy Reconciliation for Tax Year 2021

Taxpayers who received a California subsidy for health coverage in 2021 may have to pay back some or all of the amount received from California. On March 11, 2021, the American Rescue Plan Act (ARPA) increased the amount of federal subsidy available to taxpayers. This additional federal subsidy, or premium tax credit, was retroactive to January 1, 2021. Due to the late passage of the ARPA, California subsidies were issued from January through April 2021, which resulted in an over-allotment of financial help.

Taxpayers must reconcile their California subsidies on Form 3849, Premium Assistance Subsidy, when filing their 2021 tax returns. In January 2022, taxpayers will receive Form FTB 3895, California Health Insurance Marketplace Statement, from Covered California which will provide additional information about the subsidy reconciliation. Taxpayers can use these forms to determine how much of the California Premium Assistance Subsidy they will need to pay back with their tax return.

Our [Health Care Mandate website](#) is currently in development for further information about the subsidy reconciliation, including information for taxpayers who need assistance repaying California subsidies. We anticipate the changes to be released before February 2022.

## Signature Update

**Temporary waiver of original signature for paper returns and other documents has been extended from December 31, 2021 to June 30, 2022**

For paper returns and other documents that must be signed with an original signature by a taxpayer and/or tax representative, Franchise Tax Board (FTB) will not require an original signature through June 30, 2022, except for Power of Attorney (POA) forms.

POA forms will still require an original signature. Follow the instructions on [Submit a power of attorney](#) if you need to submit a POA.

**Temporary allowance of electronic signature option for statute of limitations waivers**

For statute of limitations (SOL) waivers, FTB will continue to temporarily allow taxpayers and/or their representatives to utilize a third party service for their electronic signature solution through June 30, 2022.

## Real-time Identify Proofing and Enrollment

**Faster Access to MyFTB Account**

In late January, FTB will implement a new feature that will allow tax professionals and individual taxpayers the ability to register their MyFTB Account in “real time.”

When registering for a new MyFTB Account, tax professionals and individual taxpayers will have the option to provide additional information FTB will use to validate against a third-party service. If the registrant can be validated, they will not have to wait for a Personal Identification Number (PIN) to be mailed, and will be able to receive an email to activate their account within a few minutes.

If a registrant is unable to pass the new validation option, they will still be able to create a MyFTB Account. However, they will be required to follow the existing process by receiving a PIN letter via US mail.

When this new option is available, we will provide information on our website. We will also provide more details in the February edition of Tax News.

## California Competes Grant Program

**Offers businesses grants that want to locate or stay and grow in California**

The California Competes Grant Program is available to businesses that want to locate or stay and grow in California. Grant agreements are negotiated by the Governor's Office of Business and Economic Development (GO-Biz) and approved by a statutorily-created California Competes Tax Credit (CCTC) Committee.

The Committee consists of:

- Director of GO-Biz (Chair)
- State Treasurer
- Director of the Department of Finance
- One appointee each by the Speaker of the Assembly and Senate Committee on Rules

The grant is available to businesses of any size that meet *at least one* of the following criteria:

- Creates at least 500 new full-time jobs in California
- Makes capital investments of at least \$10 million
- Takes place in an area of high unemployment and/or poverty as defined in the CCTC regulations.

For Fiscal Year 2021/2022, \$120 million is available for allocation. The maximum grant award is \$36 million. Applications for the grant will be accepted at [calcompetes.ca.gov](https://calcompetes.ca.gov) from **January 3, 2022, until January 24, 2022**.

Visit GO-Biz's Program webpage for more information on the [California Competes Grant](#), [Grant Guidelines](#), and [Webinar](#) schedule.

## California Competes Tax Credit

### California Competes Tax Credit

For Fiscal Year 2021/2022, the remaining application periods are:

- January 3, 2022 through January 24, 2022 (\$140 million available)
- March 7, 2022 through March 28, 2022 (\$104.7 million plus any remaining unallocated amounts from the previous application periods)

Applications for the credit will be accepted at [calcompetes.ca.gov](https://calcompetes.ca.gov) from **January 3, 2022, until January 24, 2022**.

Visit GO-Biz's Program webpage for more information on the [California Competes Tax Credit and Webinar schedule](#).

## Enhancements to the e-file Program

**The e-file program will allow Individuals and Fiduciaries to submit “Superseded” returns electronically**

Beginning January 3, 2022, the e-file program will allow Individuals and Fiduciaries to submit “Superseded” returns electronically. A **superseding return** is a return filed subsequent to the originally-filed return and **filed within the filing period (including extensions)**.

Our business e-file program already allows the ability to submit original, amended, or superseded returns for Corporation, Partnership, Limited Liability and Exempt Organizations electronically.

Contact your software provider to determine if they support the ability to e-file “Superseded” returns. Stay tuned to our website and to *Tax News* for more information about our [e-file Program](#).

## Homeless Hiring Tax Credit

### Get your reservation!

The Homeless Hiring Tax Credit is a new credit for qualifying employers who hire people that have received certification they are experiencing homelessness, or receiving supportive homeless services.

The amount of credit per eligible employee is up to \$10,000 in a taxable year, depending on the number of hours the employee works in the year. Each employer can claim up to \$30,000 in credit for each taxable year.

Employers are required to get a tentative credit reservation from us within 30 days of fulfilling their New Hire Reporting requirements with the California Employment Development Department. Our webpage will have a link to get the reservation beginning January 4.

For more information on the credit, and the link to the reservation system, go to our [Homeless Hiring Tax Credit](#) on our [webpage](#).

## Self-Correct Return Outreach

### Select taxpayers who reported large Schedule C expenses will receive self-correct letters

Beginning the week of January 10, 2022, Franchise Tax Board (FTB) will begin an outreach effort by sending self-correct letters to selected taxpayers who reported large Schedule C expenses on their 2019 tax returns that are "significantly higher than expected."

The purpose of the self-correct letters is to encourage these taxpayers to review their 2019 tax return, and current tax years, for any discrepancies. The letter informs the taxpayers to [file an amended tax return](#) to correct any discrepancies.

This self-correct letter does not constitute an audit. The tax returns remain subject to audit until the expiration of the statute of limitations. The taxpayer should maintain documentation to substantiate their deductions are in line with their business activity.

We will start the outreach effort by sending a small volume of self-correct letters in January, and increase the volume over the next several months. Our goal is to expand future outreach efforts to include other issues and tax years.

## Ask the Advocate

### Taxpayers' Bill of Rights

#### Happy New Year!



Brenda Voet, EA.  
Taxpayers Advocate

As I reflect on the events of 2021, I see it was a year of renewal.

A year in which Franchise Tax Board (FTB) continued to build upon our successes for how we do business, while safeguarding the health and wellbeing of our steadfast employees.

A year in which FTB successfully provided Golden State Stimulus payments to hundreds of thousands of Californians.

And, in a year which the Taxpayers' Rights Advocate's Office said goodbye to many outstanding public servants, we also welcomed many new public servants eager to help taxpayers who have been unable to resolve their tax problems through normal channels, protected rights, and ensured that FTB handle tax problems promptly and equitably.

During 2021, our strong commitment to help taxpayers was evident as our team coordinated and provided assistance to more than 2,700 taxpayers and tax professionals. We also continued our virtual education and outreach efforts by offering 33 presentations for our tax professional partners and small business communities.

We continued to protect taxpayer's rights by holding the required annual Taxpayers' Bill of Rights hearing. This year's hearing was held on December 2, during the Franchise Tax Board Meeting. Some of the issues brought forward this year involved the implementation of Assembly Bill 150 - "the SALT workaround," filing enforcement assessments which rely on occupational license information, and "doing business."

As shared at the meeting, we will provide written replies by February 1, 2022. Responses will be added to the Taxpayers' Rights Advocate's webpage under [Taxpayers' Bill of Rights Hearing Responses](#) along with prior years' responses that are currently available.

I would like to thank you for your support and input throughout 2021. Rest assured, we are here to help, and look forward to a new year, and the opportunity to provide our assistance when needed.

### Tax News Survey – Follow Up

#### We asked, and you responded!

Thank you for your input! We can now assess your needs, preference of the PDF or HTML version of Tax News, and frequency of use with the information you provided.

We appreciate everyone who had the time to take the survey and are working with the information to determine our next steps. We will have an update for you in the coming months as to the direction we will take, and are working diligently to ensure we offer the best product for your needs.

## Event Calendar

As part of our education and outreach to the tax professional community, we participate in many different presentations and fairs. We provide a [calendar](#) that shows the events we attend, as well as other events happening with us, such as interested party and board meetings.