



STATE OF CALIFORNIA
FRANCHISE TAX BOARD - Legal Department
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September 27, 2005

FTB NOTICE 2005-4

**SUBJECT: Interest Suspension on Amended Returns
FTB Will Follow IRS Revenue Ruling 2005-4**

California Revenue and Taxation Code section 19116 is based on and substantially similar to Internal Revenue Code section 6404(g). On January 7, 2005, the IRS released Revenue Ruling 2005-4, which held that the interest suspension period of section 6404(g) applies not only to deficiency notices but also to self-assessed amounts shown on amended returns filed by the taxpayer. The federal ruling holds that for taxpayers filing amended returns, the suspension period ends on the date the amended return is filed if the individual pays the tax due with the amended return, or within 21 days following the date on which the individual files the return if the individual does not pay the additional tax due with the amended return.

The purpose of this notice is to announce that the Franchise Tax Board will follow IRS Revenue Ruling 2005-4, as applicable under California law, and will suspend interest on amounts reported on self-assessed amended returns that satisfy the following conditions of Revenue and Taxation Code section 19116:

- Taxpayer is an individual
- Taxpayer filed a timely original return for a taxable year ending after October 10, 1999
- The taxpayer filed an amended return for the taxable year increasing the taxpayer's liability more than eighteen months after the filing of the original return.

If these requirements are met, interest will be suspended (not charged) from eighteen months from the later of the date the original return was filed or the due date for the original return (without extension), until fifteen days after the amended return is filed.

Interest suspension does not apply to an amended return filed by a taxpayer on or after January 1, 2004, reporting additional tax as the result of the use of a potentially abusive tax shelter where the taxpayer was contacted by the FTB about the use of a potentially abusive tax shelter and the taxpayer has taxable income greater than \$200,000.

In addition, subdivision (e) of section 19116 provides for an extended time period for the FTB to provide a notice of liability to a taxpayer, where the liability results from a final federal determination. Where the taxpayer or the IRS report federal adjustments within six months of the final federal determination, the notification period is one year from the date the notice of the federal adjustments is filed with the FTB. Where taxpayers or the IRS report federal adjustments after six months from the date of the final federal determination, the notification period is two years from the date the notice of the federal adjustments is filed with the FTB. See paragraph (1) of subdivision (e) of section 19116.

Within the next six months the Franchise Tax Board will be taking action to abate/refund interest on those accounts for taxable years ending after October 10, 1999, for which the statute of limitations for FTB to allow a credit was open as of January 7, 2005 (the date of federal Revenue Ruling 2005-4), whether or not the interest has been paid, that it identifies as meeting the requirements of the Revenue Ruling. It is not necessary for a taxpayer to write in separately or to file an amended return.

The principal author of this notice is Jozel L. Brunett of the Franchise Tax Board, Legal Department. For further information regarding this notice, contact Ms. Brunett at the Franchise Tax Board, Legal Department, P.O. Box 1720, Rancho Cordova, CA 95741-1720.