

NAVIGATING FEDERAL AND STATE TAX LIABILITY FROM INCEPTION TO APPEAL

ALRP

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I. VOLUNTARY DISCLOSURE PROGRAM

A. Application for Voluntary Disclosure

1. Revenue & Taxation Code § 19191 authorizes the FTB to enter into voluntary disclosure agreements with any qualified business entity or beneficiary in order to obtain voluntary compliance with the tax laws. This Voluntary Disclosure Program (VDP) is an ongoing non-amnesty program that allows qualified entities that are not in compliance with respect to their California franchise or income tax obligations to correct that omission if they meet certain listed criteria.
2. An individual meets the definition of a qualified beneficiary only if he or she is a nonresident on the signing date of the voluntary disclosure agreement and a nonresident during each of the six taxable years ending immediately preceding the signing date of the voluntary disclosure agreement.
3. The nonresident individual must have never previously filed a return with the FTB, have never been the subject of an inquiry by the Franchise Tax Board (“FTB”) with respect to the liability for taxes, have voluntarily come forward prior to any unilateral contact from the FTB, and made an application for a voluntary disclosure agreement.
4. In exchange for coming forward, the FTB has the discretion to waive most statutory penalties and to limit to six years the look-back period for which tax, interest, and fees are owed.
5. Qualified taxpayers that choose to participate in the VDP must complete an Application for Voluntary Disclosure Form FTB 4925.
6. If you take advantage of the VDP program, you will remain anonymous until the VDP agreement has been executed. You will have 30 days to file tax returns and pay all applicable taxes and interest once the voluntary disclosure agreement is signed. In addition, you must also agree to continue filing tax returns and paying any tax due in the future.

B. Voluntarily Disclose and Pay Tax Liability and Request Waiver of Penalties for Reasonable Cause

1. The FTB has discretionary authority to waive penalties (except for the amnesty penalty). The determination is made on a case-by-case basis. For example, the FTB can waive penalties if it determines that a late filing or failure to furnish information was due to reasonable cause and not willful neglect. The burden of proof is on the taxpayer to establish reasonable cause for abatement of penalties.

2. Examples of reasonable cause may include income, illness and other personal difficulties, as well as reliance on improper advice of an accountant or tax attorney as to a matter of tax law, such as whether the taxpayer has a tax liability, but only if the professional's advice was based on the taxpayer's full disclosure of the relevant facts and documents.
3. In order to overcome the presumption of correctness of the penalties, the taxpayer must provide credible and competent evidence to support the claim of reasonable cause; otherwise the penalties will be not be abated.
4. Interest can also be abated, but only under very limited circumstances (there is no reasonable cause exception for such abatement).

II. REPORT RESULTS OF AN IRS AUDIT TO THE FTB

- A. If the IRS adjusts or corrects your gross income, then you must notify the FTB within **six months** of the final federal determination.¹ If the federal changes are reported to the FTB by the taxpayer (or the IRS) within the six months after the final federal determination date, the FTB may issue a notice of deficiency within the later of:
 - **Two years** from the date of the taxpayer's notice or the date the taxpayer files an amended return to the FTB; or
 - The general four-year statute of limitation.²
- B. If you (or the IRS) do not notify the FTB within six months after the date of the final federal determination, the notification will be considered untimely and then the FTB will have **four years** from the date they receive sufficiently detailed information to apply the federal changes to the California return. "Sufficiently detailed" information is defined in FTB Publication 1008 as enough information to allow the FTB to compute the resulting California tax change.
- C. If notification is not provided at all, then the statute of limitations for assessment by the FTB will **remain open**.
 1. But, importantly, if you do not file a claim for refund within two years of the final federal determination, there is no open statute to allow the overpayment. As such, if a federal determination will result in you owing more taxes in one year and less in another, failure to notify the FTB of additional taxes due and to file a claim for refund can lead to highly unfavorable results where the FTB can assess the taxes owed for one year without an applicable statute of limitations, while you cannot claim the refund for the other year.

¹ Cal. Rev. & Tax. Code ("RTC") § 18622.

² RTC § 19059.

- D.** Notification can be made by either: (1) faxing a copy of all federal information and changes to: (916) 843-2269; (2) sending a notification letter with a copy of all federal information and changes to RAR/VOL FRANCHISE TAX BOARD MS F310, PO BOX 1998, RANCHO CORDOVA CA 95741-1998; or (3) by filing an Amended Individual Income Tax Return (Form 540X).

E. Claim for Refund

A taxpayer with a final federal determination can file his or her claim for refund within the later of:

- (1) 2 years of the final federal determination
- (2) 1 year of the date of overpayment
- (3) 4 years from the due date of the tax return
- (4) 4 years from the actual filing date of the tax return (filed on or before the extended due date).³

III. AUDIT

- A.** Initial Contact Letter
- B.** Information Document Requests/Responses
- C.** Power of Attorney
- D.** Audit Issue Presentation Sheet/Responses – these lays out the preliminary case of the auditor.

IV. ASSESSMENT

- A.** Notice of Proposed Assessment (usually 2-3 pages)
1. Sent if it is determined that there is a deficiency.
 2. Required to be mailed in a manner that includes a postmark.⁴
 3. Must be mailed to the taxpayer's last-known address. As a general rule, a taxpayer's last-known address is the address that appears on the taxpayer's most recently filed return, unless FTB is given clear and concise notice of a different address.

³ RTC § 19311(a)(1); RTC § 19306.

⁴ RTC § 19033.

B. Statute of Limitations

1. Applies to the date for mailing a notice of proposed assessment.
2. Four years after the return required to be filed by the taxpayer is filed.⁵ A return actually filed before the “last day prescribed by law for filing,” determined without regard to any extension of time for filing, is deemed to have been filed on such last day.⁶
3. Can be extended by written agreement or in the case of fraud or if no return is filed.

V. INTEREST & PENALTIES

A. Interest Calculation

1. Interest accrues on unpaid taxes from the original due date of the return until the date the FTB receives payment. Interest compounds daily and the interest rate is adjusted twice a year.
2. Interest is also charged on penalties. This includes interest on amnesty penalties (discussed below).
3. The FTB must suspend the accrual of interest when the taxpayer files a return and the FTB does not “provide a notice to the taxpayer specifically stating the taxpayer's liability and the basis of the liability” within a notification period.⁷ The notification period is the 18-month period following the later of either the date on which the taxpayer files a timely return, or the original un-extended due date of the return. If proper notification is not provided by the FTB, then interest will be suspended from the day after the notification period ends, and will resume only 15 days after the FTB provides the notice of deficiency. This protects you from paying for the State's failure to provide prompt notice of a tax liability.

B. Penalties

1. Failure to File Return Penalty

Cal. Rev. & Tax. Code § 19131 provides that "If any taxpayer fails to make and file a return...on or before the due date of the return or the due date as extended by the FTB, then, unless it is shown that the failure is due to reasonable cause and not due to willful neglect, **5 percent** of the tax shall be added to the tax for each month or fraction thereof elapsing

⁵ RTC § 19057.

⁶ RTC § 19066.

⁷ RTC § 19116(a).

between the due date of the return (determined without regard to any extension of time for filing) and the date on which filed, but the total penalty **may not exceed 25 percent** of the tax."

2. **Failure To Pay Tax Penalty**

Cal. Rev. & Tax. Code § 19132 provides that this penalty shall consist of both five percent of the total tax unpaid and an amount computed at the rate of 0.5 percent per month of the remaining tax for each additional month or fraction thereof not to exceed 40 months during which the remaining tax is greater than zero. The aggregate amount of penalty imposed cannot, however, exceed 25 percent of the total unpaid.

3. **Failure to Furnish Information Penalty**

Cal. Rev. & Tax. Code § 19133 provides that "if any taxpayer fails or refuses to furnish any information requested in writing by the Franchise Tax Board or fails or refuses to make and file a return required...upon notice and demand by the Franchise Tax Board, then, unless the failure is due to reasonable cause and not willful neglect, the Franchise Tax Board may add a penalty of 25 percent of the amount of tax determined pursuant to Section 19087 or of any deficiency tax assessed by the Franchise Tax Board concerning the assessment of which the information or return was required." This penalty is based on the tax amount for which the information was requested.

4. **Amnesty Penalty**

- a. The FTB will impose an amnesty penalty for each tax year that a taxpayer was eligible for amnesty, but did not request amnesty. Examples of California amnesty programs were those in 2005 and in 2011. For 2005, for example, the amnesty penalty is equal to 50% of the interest accrued on the assessment from the original due date of the return until March 31, 2005. The amnesty penalty is not part of the deficiency amount and thus will only be computed and assessed once a final deficiency has been determined.
- b. By its statutory terms, the amnesty penalty applies to two classes of taxpayers: (1) those taxpayers for whom a final tax deficiency for an amnesty-eligible tax year already exists during the amnesty period, but who did not pay that deficiency prior to the end of that period; and (2) those taxpayers for whom a final tax deficiency arises after the end of the amnesty period, whether that deficiency is identified by the FTB or is self-assessed, to the extent that any payment made before the end of the amnesty period did not satisfy the deficiency. Once this period of tax amnesty ended, any

taxpayer that did not participate in the program became subject to an amnesty penalty on any eligible tax amount that either remained or became due and payable after the end of the amnesty period.

- c. The FTB has no discretion to determine whether the amnesty penalty should be imposed and cannot waive the penalty. There are no exceptions for taxpayers who may have acted in good faith or had reasonable cause for failing to participate in the amnesty program. The scope of appeal of the penalty is limited to arguing that the penalty was not properly computed by the FTB.
- d. The State Board of Equalization's jurisdiction to review the amnesty penalty also extremely limited. The Board's jurisdiction to review the amnesty penalty is limited to situations where the penalty is assessed and paid, the taxpayer files a timely appeal from a denial of a refund claim, and the taxpayer attempts to show a computational error in the penalty.

VI. OFFER IN COMPROMISE⁸

- A.** If a taxpayer cannot afford to pay a tax liability in full and has exhausted all payment options, a taxpayer may submit an offer in compromise.
- B.** The executive officer and chief counsel of the FTB, jointly, or their delegates, may compromise any final tax liability in which the reduction of tax is seven thousand five hundred dollars (\$7,500) or less.
- C.** The FTB, upon recommendation by its executive officer and chief counsel, jointly, may compromise a final tax liability involving a reduction in tax in excess of seven thousand five hundred dollars (\$7,500). Any recommendation for approval of an offer in compromise that is not either approved or disapproved by the FTB, itself, within 45 days of the submission of the recommendation shall be deemed approved.
- D.** The FTB, itself, may by resolution delegate to the executive officer and the chief counsel, jointly, the authority to compromise a final tax liability in which the reduction of tax is in excess of seven thousand five hundred dollars (\$7,500) but less than ten thousand dollars (\$10,000).
- E.** For an amount to be compromised under this section, the following conditions shall exist:
 - 1. The taxpayer shall establish that the:
 - a. Amount offered in payment is the most that can be expected to be paid or collected from the taxpayer's present assets or income, and

⁸ RTC § 19443.

- b. Taxpayer does not have reasonable prospects of acquiring increased income or assets that would enable the taxpayer to satisfy a greater amount of the liability than the amount offered, within a reasonable period of time.
2. The FTB shall have determined that acceptance of the compromise is in the best interest of the state.
3. A determination not to accept an offer in compromise shall not be subject to administrative appeal or judicial review.
4. When an offer in compromise is either accepted or rejected, or the terms and conditions of a compromise agreement are fulfilled, the FTB shall notify the taxpayer in writing.
5. In the case of a joint and several liability, the acceptance of an offer in compromise from one liable spouse shall not relieve the other spouse from paying the entire liability. However, the amount of the liability shall be reduced by the amount of the accepted offer.
6. Whenever a compromise in excess of five hundred dollars (\$500) is approved, there shall be placed on file for at least one year in the office of the Executive Officer of the FTB a public record with respect to that compromise. The public record shall include all of the following information:
 - a. The name of the taxpayer.
 - b. The amount of unpaid tax, and related penalties, additions to tax, interest, or other amounts involved.
 - c. The amount offered.
 - d. A summary of the reason why the compromise is in the best interest of the state.
7. The public record shall not include any information, that if disclosed, would adversely affect the taxpayer or the national defense. No list shall be prepared and no releases distributed by the FTB in connection with these statements.
8. Any compromise made under this section may be rescinded, all compromised liabilities may be reestablished (without regard to any statute of limitations that otherwise may be applicable), and no portion of the amount offered in compromise refunded, if either of the following occurs:

- a. The FTB determines that any person did any of the following acts regarding the making of the offer:
 - i. Concealed from the FTB any property belonging to the estate of any taxpayer or other person liable for the tax.
 - ii. Received, withheld, destroyed, mutilated, or falsified any book, document, or record or made any false statement, relating to the estate or financial condition of the taxpayer or other person liable for the tax.
 - b. The taxpayer fails to either:
 - i. Comply with any of the terms and conditions relative to the offer.
 - ii. File subsequent required returns and pay subsequent final tax liabilities within 20 days after the FTB issues notice and demand to the person stating that the continued failure to file or pay the tax may result in rescission of the compromise.
9. An IRS approval of an OIC does not automatically guarantee approval from the FTB for a corresponding tax liability. You must make an individual office to the FTB, which will be evaluated independently.
10. Each case is evaluated individually, but the following factors maybe considered in the FTB's evaluation of the offer:
 - The taxpayer's ability to pay.
 - The amount of equity in the taxpayer's assets.
 - The taxpayer's present and future income.
 - The taxpayer's present and future expenses.
 - The potential for changed circumstances.
11. The FTB requires that a taxpayer submitting an offer complete Form FTB 4905 PIT, Offer in Compromise Application Form.

Documentation regarding the following should be submitted with the application (additional documents maybe requested):

- Verification of income
- Verification of expenses
- Bank information
- Securities
- Housing

- Real property information
 - IRS information
 - Power of Attorney (if represented)
12. The FTB may require that you enter into a collateral agreement, which is a contract between you and the FTB that requires you to pay the FTB a percentage of future earnings that exceed an agreed-upon amount. Generally, the collateral agreement period is five years.
 13. The Offer in Compromise cannot be combined with an Installment Agreement.
 14. It takes about 90 days to find out if the offer has been accepted by the FTB. If it has received final approval, the FTB will release state tax liens on the amount due.
 15. Interest and penalties will continue to accrue as required by law.

VII. INSTALLMENT AGREEMENTS

You may be eligible for an installment agreement to pay back tax liability. (Form FTB 3567).

To be eligible for an installment agreement you must meet the following conditions:

- The tax liability you owe does not exceed \$25,000.
- The installment period for payment does not exceed 60 months.
- You have filed all required valid personal income tax returns.
- You are not in an existing installment agreement.

When you enter into an installment agreement you agree to:

- Make timely monthly payments until your tax liability is paid in full.
- Maintain adequate funds in your bank account.
- File all required valid personal income tax returns timely.
- Pay all future income tax liabilities timely.
- Pay an installment agreement fee, which we will add to your tax liability. The fee amount is subject to change without notice.
- If the tax liability you owe exceeds \$10,000, or the installment agreement period for payment exceeds 36 months, or both, then you must certify that you have a financial hardship. In cases of financial hardship, installment agreements are subject to periodic review.
- Confirm that the withholding rates on file with your employer will withhold enough state income tax to pay your state income tax liability.
- Make any required estimated payments if you receive income from sources other than wages.

The FTB may file a state tax lien to protect the state's interest until you pay the tax liability.

Any future state tax refund you may be due will be kept by the FTB and applied towards your balance already due. This will reduce your total due but will not effect your monthly payments. Also, the FTB may submit your account to the Federal Treasury Offset Program and pull from any federal tax refund you would have received to pay all or a portion of a state income tax debt you owe.

If your installment agreement is denied or cancelled you may file a request for a review within 30 days from the date of the denial or cancellation notice.

VIII. ADMINISTRATIVE PROTEST

If you don't agree with your notice of proposed assessment then you will want to file a protest.

A. Statute of Limitations:

1. 60 days after the mailing of the notice of proposed assessment.
2. The exact date is typically indicated on the front of the accompanying notice of proposed assessment.
3. Missed Deadline:
 - a. Informal Protest - Discretionary
 - b. Assessment will become final and a bill, including taxes, penalties, and interest will be generated.⁹

B. Protest:

1. Must be written and include specific grounds upon which it is based.¹⁰
2. Filing a protest will not stop the accrual of interest. If you pay the additional tax, penalties, and interest due, you will stop the accrual of interest without losing your right to contest the disputed amount. If a taxpayer overpays, the FTB will pay interest on any overpaid amount as the law allows.

⁹ RTC §§ 19049, 19132, 19280, & 19290.

¹⁰ RTC § 19041.

3. Contents of Protest: A protest must clearly state the grounds of the protest and must include:¹¹
 - a. Taxpayer's name and address.
 - b. Taxpayer's social security or taxpayer identification number.
 - c. The amounts and taxable years being protested.
 - d. A statement of facts.
 - e. Explanation of why the assessment is wrong.
 - f. Arguments and evidence/documentation that substantiates allegations in the protest.
 - g. Taxpayer's or authorized representative's signature.
 - h. Taxpayer's or authorized representative's name, daytime telephone number, and mailing address.
 - i. A copy of the Notice of Proposed Assessment.
 - j. A completed Power of Attorney Declaration for the FTB, if the taxpayer wants someone to represent them during the protest process.

C. Hearing/Protest Procedures

1. In order to be entitled to an oral hearing, the taxpayer must request a hearing in the protest. An authorized representative may appear with or on behalf of a taxpayer at the hearing.
2. Taxpayer Has The Burden of Proof. Generally, the FTB's determination is presumed correct and the taxpayer bears the burden of showing error in such determination.
 - a. The hearing officer may request additional information not previously requested during the audit.
3. The protest process is informal.
4. At the hearing, the taxpayer or authorized representative will be permitted to provide any additional documents or information. The hearing officer

¹¹ *California Taxpayer's Bill of Rights* ("FTB Bill of Rights"), FTB 4058 (REV 01-2011), pp. 2-3.

will review these items to ensure that the audit was correct and in compliance with the law.¹²

5. Hearings are typically conducted at the FTB field office nearest to the taxpayer and efforts are made to schedule the hearings at a mutually convenient date and time.
6. After consideration of the protest, the hearing officer will send a Notice of Action (NOA) documenting his/her findings.

IX. ADMINISTRATIVE APPEAL – CALIFORNIA STATE BOARD OF EQUALIZATION (BOE)

A. Appeal Deadline - Statute of Limitations

1. 30 days after the mailing date of the Notice of Action.
2. If no appeal is filed within the 30-day period, the assessment becomes final and the deficiency assessed is due and payable within 15 days from the date of the notice and demand. If full payment is received within the 15 days, interest will be waived for that period.¹³

B. Required Contents of Appeal

1. The appeal must be in writing.¹⁴
2. Must include:
 - a. Taxpayer's name and address.
 - b. Taxpayer's social security or taxpayer identification number.
 - c. A copy of the accompanying Notice of Action.
 - d. A copy of the original Notice of Proposed Assessment.
 - e. The amounts and taxable years under appeal.
 - f. A statement of facts.
 - g. Points and legal authorities in support of taxpayer's position.
 - h. Explanation of why assessment is wrong.
 - i. Any portion of the amount at issue that is conceded.

¹² *Audit / Protest / Appeals – The Process* (“FTB The Process”), FTB 985 (REV 02-2011), p. 12

¹³ RTC § 19049.

¹⁴ RTC § 19045; *see also* Title 18 California Code of Regulations (“CCR”) § 5422.

- j. Taxpayer or authorized representative's signature.
- k. Taxpayer or authorized representative's name, address, and daytime telephone number.
- l. All the relevant documentation received from or submitted to the FTB.
- m. Appeal must be handwritten or typed in a font or type size of at least 10 points or 12 characters per inch or the equivalent. It must be on only one side of 8½ by 11 inch sheets of paper. Must not exceed 30 pages double-spaced or 15 pages single-spaced, not counting a table of contents and exhibits such as copies of supporting documents.
- n. Taxpayer may also request a hearing before BOE.¹⁵

C. Chief of Board Proceedings

- 1. Upon receipt of the appeal, the Chief of Board Proceedings determines whether the BOE has jurisdiction to hear the appeal and whether the appeal is timely.
- 2. The Chief of Board Proceedings will notify each party of applicable deadlines, extensions, and other requirements by written notification, and will ensure that all parties receive copies of any correspondence.
 - a. Extensions and deferrals of briefing may be granted if requested in writing and made prior to the scheduled due date.
 - b. The Chief of Board Proceedings will provide written acknowledgement of receipt to all parties and will provide each opposing party with a copy of the brief and any supporting exhibits.

D. Briefing

- 1. All briefs must be no longer than 30 double-spaced 8½" by 11" pages, or 15 single-spaced 8 ½" by 11" pages, excluding any table of contents, table of authorities, and exhibits. All briefs must be handwritten or typed, and printed only on one side in a type-font size of at least 10 points or 12 characters per inch.
- 2. failure to file a brief within the scope of the applicable briefing schedule is a waiver of the right to file that brief. That waiver will generally conclude

¹⁵ *FTB The Process*, p. 13.

the briefing schedule. However, the Board, in its discretion, may accept any documentary evidence and related arguments submitted at a hearing.

3. Generally, the following briefing schedule applies:

a. Opening Briefs.

- i. Appellant's Opening Brief is the perfected appeal.
- ii. The FTB may file an Opening Brief within 90 days of receipt of the Appellant's Opening Brief.

b. Reply Briefs.

- i. The appellant may file a Reply Brief within 30 days of receipt of the Respondent's Opening Brief. The Appellant's Reply Brief, if filed, may only address points of disagreement with the Respondent's Opening Brief.
- ii. The FTB may file a Reply Brief only upon written permission from the Chief Counsel. The Respondent's Reply Brief, if filed, may only address points of disagreement with the Appellant's Reply Brief.
 - (A) The FTB has 15 days after receipt of the Appellant's Reply Brief in which to file a written request to file its Reply Brief.
 - (B) Upon receipt of the written request, the Chief Counsel will determine whether additional briefing is necessary.
 - (C) If the FTB files a Reply Brief, the appellant may file a Supplemental Brief within 30 days of receipt of the Respondent's Reply Brief. It may only address points of disagreement with the Respondent's Reply Brief. The filing of the Appellant's Supplemental Brief concludes the briefing schedule.
- iii. Additional briefing may be requested by the Appeals Division of the Board.

E. Right to Request an Oral Hearing¹⁶

- 1. The appellant must file a written request no later than 30 days from the conclusion of briefing.

¹⁶ CCR § 5440.

2. An untimely request may be accepted and acknowledged if the untimeliness was due to reasonable cause.
3. If the appellant does not request an oral hearing, or if the appellant does not respond to a Notice of Hearing, the appeal will be submitted for decision based upon the written record on file and without an oral hearing.

F. Pre-Hearing Conference¹⁷

1. The purpose of a pre-hearing conference is to obtain additional facts and evidence, obtain stipulations of fact, and narrow questions of law, in order to facilitate a more efficient and productive oral hearing.
2. A pre-hearing conference may be held only when an oral hearing has been granted, and after the conclusion of briefing.
3. The Appeals Division may order a pre-hearing conference in its discretion.
4. Any party may make a written request for a pre-hearing conference within 15 days of acknowledgement of the request for an oral hearing. The request may be denied if determined that a pre-hearing conference is likely to be unproductive.
5. The Board, at the oral hearing on the appeal, may order that a pre-hearing conference be held. In that circumstance, the hearing will be postponed until after the conclusion of the pre-hearing conference.
6. The Appeals Division will determine the time and location of the pre-hearing conference. Ordinarily, the conference must be held at the Board's headquarters in Sacramento, and may be conducted in person, by videoconference, by teleconference, or by means of a secure electronic connection. With good cause and with the approval of the Chief Counsel, an in-person pre-hearing conference may be held outside of Sacramento.
7. The Board Proceedings Division will schedule the pre-hearing conference in accordance with information provided to it by the Appeals Division and will issue appropriate written notification to all parties at least 15 days before the date of conference,
8. An employee of the Appeals Division will conduct the pre-hearing conference, which should be informal and non-adversarial.
9. The conference holder will not record, videotape, or transcribe the pre-hearing conference, but any party may arrange for the pre-hearing conference to be recorded or transcribed, at its own expense. If a transcript is made, the transcript must be made available to all participants

¹⁷ CCR § 5443.

and it will become a public record. Statements made by participants during the pre-hearing conference are not binding upon the Board.

G. Timeline Summary

1. Appeal deadline – must be mailed within 30 days of Notice of Action
2. Appeal must be perfected no later than 90 days from date of notice to perfect
3. Opening brief – submitted no later than 90 days out from scheduled proceedings
4. Reply brief – submitted no later than 30 days out from scheduled proceedings
5. Supplemental brief – submitted no later than 30 days out from scheduled proceedings
6. Written request for Oral Hearing due no later than 30 days after conclusion of briefing period
7. Pre-hearing conference can be requested no later than 15 days from date on which oral hearing was requested
 - a. Notice of pre-hearing conference due 15 days before scheduled conference
 - b. Hearing summary due 30 days after hearing
 - c. May request a rehearing with Board of Equalization within 30 days of decision

H. Hearing Summaries & Decisions

1. Hearing Summaries¹⁸
 - a. A “Hearing Summary” is a written document intended to assist the Board in its consideration and decision of an appeal at an oral hearing. Hearing Summaries may not be cited as precedent.
2. Decisions
 - a. A Letter Decision¹⁹ is a written decision that contains a short explanation of the reasons for the Board’s decision on an appeal. Letter Decisions may not be cited as precedent.

¹⁸ CCR § 5444.

¹⁹ CCR § 5450.

- b. A Summary Decision²⁰ is a written decision that contains the findings of fact and conclusions of law that form the basis of the Board's decision on an appeal. Summary Decisions may not be cited as precedent.
- c. A Formal Opinion²¹ is a written decision that contains the findings of fact and conclusions of law that form the basis of the Board's decision on an appeal and which is intended to set precedent. The Formal Opinion does not represent or reflect the Board's decision on the appeal unless and until it is adopted by the Board.
 - i. When the Board orders the Appeals Division to prepare a Formal Opinion, the Appeals Division will promptly send a written notice to the parties.
 - ii. Any Formal Opinion may be cited as precedent in any appeal or other proceeding before the Board, unless the Opinion has been de-published, overruled, or superseded.

I. Frivolous Appeal Penalty²²

- 1. It is important to be aware that the Board may impose a penalty on a party that files a frivolous appeal or one that is maintained for the purpose of delay.

J. Finality of Decision & Petitions for Rehearing²³

- 1. The Board's decision becomes final 30 days from the date of the decision unless, within that 30-day period, a party to the appeal files a Petition for Rehearing.
- 2. A Petition for Rehearing is timely if it is mailed within 30 days.
 - a. Every Petition for Rehearing must be in writing, must meet the formatting requirements, and must contain the following:
 - i. The name or names of the party or parties filing the Petition for Rehearing;
 - ii. The address and telephone number of each party and, if applicable, each party's authorized representative;

²⁰ CCR § 5451.

²¹ CCR § 5452.

²² CCR § 5454.

²³ CCR § 5460.

- iii. Any portion of the amount at issue conceded by the party;
- iv. The signature of each party or the signature of an authorized representative made on behalf of each party filing the Petition for Rehearing; and
- v. All the facts and legal authorities necessary to:
 - (A) Identify an irregularity in the Board's proceedings that prevented the fair consideration of the appeal;
 - (B) Identify an accident or surprise that occurred, which ordinary caution could not have prevented;
 - (C) Identify newly discovered, relevant evidence, which the Filing Party could not have reasonably discovered and provided prior to the Board's decision; or
 - (D) Demonstrate there was insufficient evidence to justify the Board's decision or the decision is contrary to law.
- b. A Petition for Rehearing may be rejected if untimely.²⁴
- c. Unless otherwise directed by Board Staff, the Filing Party will not be permitted to submit any additional briefing after the submission of a perfected Petition for Rehearing.
- d. A "Decision on Petition for Rehearing" is a written decision that contains the findings of fact and conclusions of law that form the basis of the Board's decision to grant or deny a rehearing, but it does not represent or reflect the Board's decision to grant or deny the rehearing unless and until it is adopted by the Board.
 - i. Decisions on Petition for Rehearing may not be cited as precedent unless the Board adopts the Decision on Petition for Rehearing as a Formal Opinion.
- 3. If the Board grants a single Petition for Rehearing, the following briefing schedule applies:
 - a. The Filing Party may file an Opening Brief within 30 days from the date on which the Board voted to grant the Petition for Rehearing.

²⁴ CCR § 5461.

- b. The Non-Filing Party may file a Reply Brief within 30 days from the date of acknowledgement of receipt of the Filing Party's Opening Brief.
 - c. The Filing Party may file a Reply Brief within 30 days from the date of acknowledgement of receipt of the Non-Filing Party's Reply Brief.
 - d. The Board may order any alternate briefing schedule that it deems appropriate.
4. Timeline Summary for Petitions for Rehearing
- a. Must petition for rehearing within 30 days of decision
 - b. If perfection notice sent, party has 30 days to perfect from date of mailing of notice
 - c. If allowed, opening brief due not later than 30 days from grant of rehearing
 - d. Non-filing party's reply brief due 30 days after receipt of opening brief
 - e. Party's reply brief due 30 days after receipt of non-party reply brief

X. SETTLEMENT PROCESS²⁵

- A.** A separate settlement process allows for negotiating tax.
- B.** The FTB's Settlement Bureau is generally responsible for the negotiation of settlements.
- C.** The FTB has authority to settle civil tax matters in dispute as follows:
- D.** Approval of settlements by the FTB: The Executive Officer, or the Chief Counsel of the FTB, if authorized by the Executive Officer, may recommend to the FTB, itself, a settlement of any civil tax matter in dispute. Any such recommendation must first be submitted to the Attorney General. Within 30 days following receipt of a recommendation, the Attorney General is required to review the recommendation and advise in writing of his or her conclusions as to whether the recommendation is reasonable from an overall perspective. The members of the FTB must approve or disapprove the settlement recommendation within 45 days of the submission of the recommendation to the members. Disapproval must be made by majority vote of the members of FTB. Any settlement that is not either

²⁵ RTC § 19442.

approved or disapproved within 45 days following its submission shall be deemed approved.

- E.** Approval of small case settlements: Revenue and Taxation Code section 19442 also allows the Executive Officer and the Chief Counsel of the FTB, jointly, to approve the settlement of any civil tax matter in dispute involving a reduction in tax or penalties, the total of which reduction of tax and penalties does not exceed eight thousand five hundred dollars (\$8,500).²⁶ When such small case settlements are approved, the Executive Officer is required to notify the members of the FTB.
- F.** If the taxpayer wants to enter into settlement process, the taxpayer must submit a written request, which must include the following information:
1. Taxpayer's name and current address;
 2. Representative's name, current address, fax and telephone number;
 3. Taxpayer's Social Security number or taxpayer identification number;
 4. Taxable year(s) involved;
 5. Tax amount involved;
 6. Present status of dispute (*i.e.*, protest, appeal, or claim for refund);
 7. Copy of representative's power of attorney, unless a valid form is already on file with the FTB;
 8. Good faith settlement offer, including the grounds in support of the offer;
 9. Identification and discussion of all issues in contention, including legal and factual grounds for the taxpayer's position; and
 10. A list of f Notice(s) of Proposed Assessment and Claim(s) for Refund for the years at issue that are not part of the settlement request, including the present status and amount in question.
- G.** A tentative settlements is generally reached in all cases accepted into the Settlement Bureau within nine months following the acceptance of the taxpayer's request for settlement consideration. Tentative settlements become final upon approval by the FTB, itself, or for small case settlements, the Executive Officer. Except with the approval of the Chief Counsel, cases in which tentative settlements have not been reached within the nine-month time frame will be

²⁶ The \$8,500 amount applies to all settlements approved on or after January 1, 2007. On January 1 of each calendar year, this amount will be increased based on the percentage change in the California Consumer Price Index and rounded to the nearest \$100.

removed from settlement consideration and returned to their pre-settlement status (*i.e.*, protest, appeal, or claim for refund).²⁷

- H. Payment Required: If the tentative settlement requires payment by the taxpayer, the taxpayer will be required to pay the full settlement amount prior to approval of the settlement being obtained.
- I. All settlements entered into are final and non-appealable except upon showing of fraud or misrepresentation of a material fact.

XI. FINAL LEVEL APPEAL - SUPERIOR COURT

- A. If the taxpayer does not prevail before the Board of Equalization, the taxpayer may file a claim in California Superior Court, but only after paying the tax and filing a claim for refund.
- B. After the California Superior Court has rendered its decision either the FTB or the taxpayer may file an appeal on the decision to the California Appellate Court and/or the California Supreme Court, and ultimately the U.S. Supreme Court.

XII. TAX COLLECTIONS

- A. Recap – Ways to Prevent Collection Actions:
 - Pay your tax liability
 - Enter into an Offer in Compromise
 - Enter into an Installment Agreement
 - Protest your Proposed Deficiency
- B. Time To Collect: The FTB may not collect any tax liability (including interest and penalties) after 20 years have elapsed from the date the latest tax liability becomes due and payable. After the 20-year limitation period the taxpayer's liability to the state for that liability is abated by reason of lapse of time, any FTB collection action is terminated, and any funds collected after the end of the collection period are to be credited and refunded.
- C. Liens: A lien is a legal claim against real or personal property to secure a debt. If you have a delinquent tax balance, the FTB may record a lien to secure your tax debt. The lien encumbers your California property, preventing you from refinancing, selling, or transferring it through escrow. In addition, credit bureaus monitor public records for recorded liens.

²⁷ See *FTB Notice 2007-2* (June 27, 2007), p. 4, for table detailing a specific timeline for settlement process.

- If the FTB records a notice of state tax lien, you can get it released by paying the total tax liability (including any penalties and accrued interest) for the tax years represented by the lien. The FTB will record a certificate of release no later than 40 days after you pay the liability.

- D.** Bank, Wage, or Other Levies: If the FTB takes your property and you believe the action is improper, you have the right to a hearing. To request a hearing, you must contact the Taxpayers' Rights Advocate within 30 days after seizure of your property. At the hearing, you should provide information that demonstrates the need to change or withdraw the levy or stop the sale of your property. If the FTB seizes your bank account in error, and you did not contribute to that error, the FTB may reimburse you for related bank charges. You must file your reimbursement claim within 90 days of the levy.
- E.** Cost Recovery Fees may include a filing enforcement fee, collection fee, lien fee, federal treasury offset fee, and fees to cover the cost of seizing and selling property.

What are previous and current interest and estimate penalty rates?

Current interest rates

- The current rate on **personal income tax underpayments and overpayments, corporation underpayments, and estimate penalties** is 4%.
- The current rate on **corporation overpayments** is 0%.

Previous interest rates

From	To	Interest rate ¹	Corporation overpayment rate
July 1, 2011	December 31, 2011	3%	0%
January 1, 2011	June 30, 2011	4%	0%
January 1, 2010	December 31, 2010	4%	0%
July 1, 2009	December 31, 2009	5%	0%
January 1, 2009	June 30, 2009	5%	2%
July 1, 2008	December 31, 2008	7%	3%
January 1, 2007	June 30, 2008	8%	5%
July 1, 2006	December 31, 2006	7%	4%
January 1, 2006	June 30, 2006	6%	3%
July 1, 2005	December 31, 2005	5%	2%
July 1, 2004	June 30, 2005	4%	1%
July 1, 2003	June 30, 2004	5%	1%
July 1, 2002	June 30, 2003	6%	2%
January 1, 2002	June 30, 2002	7%	
January 1, 2001	December 31, 2001	9%	
January 1, 2000	December 31, 2000	8%	
July 1, 1999	December 31, 1999	7%	
January 1, 1999	June 30, 1999	8%	
July 1, 1995	December 31, 1998	9%	
January 1, 1995	June 30, 1995	8%	
July 1, 1993	December 31, 1994	7%	
January 1, 1993	June 30, 1993	8%	
July 1, 1992	December 31, 1992	9%	
July 1, 1991	June 30, 1992	10%	

January 1, 1990	June 30, 1991	11%
July 1, 1989	December 31, 1989	12%
October 1, 1988	June 30, 1989	11%
April 1, 1988	September 30, 1988	10%
January 1, 1988	March 31, 1988	11%
October 1, 1987	December 31, 1987	10%
January 1, 1987	September 30, 1987	8%
July 1, 1986	December 31, 1986	9%
January 1, 1986	June 30, 1986	10%
July 1, 1985	December 31, 1985	11%
January 1, 1985	June 30, 1985	13%
July 1, 1983	December 31, 1984	11%
March 1, 1983	June 30, 1983	16%
January 1, 1983	February 28, 1983	14%
May 27, 1982	December 31, 1982	18%
January 1, 1976	May 26, 1982	12%
Before January 1, 1976		6%

†Personal income tax underpayment and overpayment, corporation underpayment, and estimate penalty rate.



State of California
Franchise Tax Board

Penalty Reference Chart

Please use this chart for reference purposes only. We list penalty codes by Revenue and Taxation Code (R&TC) sections and reference comparable Internal Revenue Code (IRC) sections. These penalties reflect the law as enacted on April 12, 2010, for taxable years beginning on or after January 1, 2010.

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Limited Liability Company (LLC) Fee Estimate Penalty	17942(c)(2)	None	Underpayment of estimated fee. Exceptions - Safe harbor--100% of prior year.	10% of the underpayment.
Tax on Joint Return Exceeds Tax on Separate Returns	18530	6013(b)(5)	Tax on a joint return exceeds tax shown on separate returns, due to negligence or intentional disregard of rules, or fraud. In lieu of penalties provided by Section 19164(a) & (b). <ul style="list-style-type: none">20% of total amount of excess if attributable to negligence/intentional disregard of rules. Exceptions - None.	<ul style="list-style-type: none">75% of excess if attributable to fraud.
Information Return From Owner of Real Property	18642	6045	Owners and transferors failing to file information return relating to interest in real property by the due date. Exceptions - Reasonable cause and not willful neglect.	Penalty under 19183 applies. If information return not filed within 60 days of due date, the deduction of certain property-related expenses are disallowed.
Withholding Penalties	18668	3403	Any person required to withhold tax, but fails to do so. Includes withholding from the sale of real property. Exceptions - Reasonable cause and not willful neglect.	<ul style="list-style-type: none">The greater of the actual amount withheld or taxpayer's liability, not to exceed required withholding amount.Alternatives for real estate withholding:<ul style="list-style-type: none">\$500 or10% of the amount required to be withheld, whichever is greater.
Withholding Penalties	18669	None	Successor on a sale, transfer, or disposition of a business for failing to pay required amounts or failing to withhold or to pay withheld amounts. Exceptions - None.	10% of amount not paid or personal liability for amounts not withheld or withheld amounts not paid.

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Electronic Funds Transfer (EFT) Penalty	19011	6302	Any person required to remit payment by EFT, but who makes payment by other means. Exceptions - Reasonable cause and not willful neglect.	10% of the amount paid by non-EFT.
Electronic Payment Requirements for Individuals	19011.5	None	Failure by individuals, whose tax liability is greater than \$80,000 or who make an estimated tax or extension payment that exceeds \$20,000, to remit their tax payments electronically. Exceptions - Reasonable cause and not willful neglect.	1% of the amount paid.
Failure to File a Return/Late Filing Penalty	19131	6651	Any taxpayer who is required to file a return, but fails to do so by the due date. Exceptions - Reasonable cause and not willful neglect.	<ul style="list-style-type: none"> 5% of the tax due, after allowing for timely payments, for every month that the return is late, up to a maximum of 25%. <ul style="list-style-type: none"> For fraud, substitute 15% and 75% for 5% and 25%, respectively. For individuals and fiduciaries, minimum penalty is the lesser of: <ul style="list-style-type: none"> Tax year 2009 and prior: \$100 or 100% of the tax required to be shown on the return. Tax year 2010 and after: \$135 or 100% of the tax required to be shown on the return.
Failure to Pay Tax/Late Payment Penalty	19132	6651	Taxpayer failing to pay tax by the due date. This penalty is not imposed if, for the same tax year, the sum of Sections 19131 & 19133 penalties are equal to or greater than this penalty. Exceptions - Reasonable cause and not willful neglect.	5% of the total tax unpaid plus 1/2 of 1% for every month the payment of tax was late up to 40 months.
Failure to Provide Information Requested/ Failure to File a Return Upon Demand	19133	None	Any taxpayer for failing to provide requested information, or failing to file a return after notice and demand. Exceptions - Reasonable cause and not willful neglect.	25% of total tax liability without regard to any payments or credits.
			Exceptions - Reasonable cause and not willful neglect.	

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Penalty for Failure to Make a Small Business Stock Report	19133.5	6652	Taxpayer for failing to make a small business report.	<ul style="list-style-type: none"> \$50 for each report. \$100 per report if the failure is due to negligence or intentional disregard.
Dishonored Payments	19134	6657	<p>Exceptions - Reasonable cause and not willful neglect.</p> <p>Any taxpayer who makes a payment by check that is dishonored. Includes payments made by credit card or EFT.</p>	<ul style="list-style-type: none"> For payments received prior to January 1, 2011, the penalty will be: <ul style="list-style-type: none"> An amount equal to 2% of the amount of the dishonored payment, or If the amount of the check is less than \$750, \$15 or the amount of the check, whichever is less. For payments received after January 1, 2011, the penalty will be: <ul style="list-style-type: none"> An amount equal to 2% of the amount of the dishonored payment, or If the amount of the check is less than \$1,250, \$25 or the amount of the check, whichever is less.
Unqualified or Suspended Corporation Doing Business in this State	19135	None	<p>Exceptions - Reasonable cause and good faith.</p> <p>Any foreign corporation which fails to qualify to do business, or whose powers have been forfeited, or any domestic corporation which has been suspended, and is doing business in this state.</p>	\$2,000 per year.
Underpayment of Estimated Tax (Addition to Tax)	19136 et seq., 19142-19151	6654	<p>Exceptions - Reasonable cause and not willful neglect.</p> <p>Any taxpayer who fails to pay estimated tax in the required installments.</p>	<p>An amount determined by applying the underpayment rate specified in Section 19521 to the amount of the underpayment for the period of the underpayment.</p> <p>Exceptions - (1) Safe harbors under 6654 as modified. (2) Underpayment created or increased by any provision of law that is chaptered during and operative for the taxable year of the underpayment (3) underpayment was created or increased by the disallowance of a credit under Section 17053.80(g) or 23623(g).</p>

**Franchise Tax Board
Penalty Reference Chart**

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Large Corporate Understatement of Tax	19138	None	When a corporation has an understatement of tax in excess of \$1 million for any taxable year, where understatement means the difference between the correct amount of tax and the tax shown on the original return. Exceptions - Understatement is attributable to (1) a change in law after earlier of date return is filed or extended due date of return or (2) reasonable reliance on legal ruling by the Chief Counsel.	20% of the understatement of tax.
Suspension of Corporate Powers Penalty; Corporation Officer Statement Penalty	19141	None	A suspended corporation, upon certification by the Secretary of State. Includes penalty for taxpayer's failure to provide a corporation officer's statement. Exceptions - None.	\$250 upon certification by the Secretary of State under Corporations Code Section 2204 or \$50 upon certification by the Secretary of State under Corporations Code Section 8810.
Information With Respect to Certain Foreign Corporations	19141.2	6038	Failure to furnish certain information about certain foreign corporations. Exceptions - Reasonable cause and not willful neglect.	<ul style="list-style-type: none"> \$1,000 for each annual accounting period. Additional penalty where taxpayer continues, in excess of 90 days, to fail to provide information after we mail notice: \$1,000 for each 30-day period up to a maximum of \$24,000.
Failure to Furnish Information About Foreign-Owned Corporations	19141.5	6038A	Failure to furnish information or to maintain required records about foreign-owned corporations, under IRC Section 6038A. Exceptions - Reasonable cause.	<ul style="list-style-type: none"> \$10,000 for each taxable year for which the taxpayer fails to provide the required information or fails to maintain the required records. Additional penalty of \$10,000 for each 30-day period, where taxpayer continues, in excess of 90 days after notification, to fail to provide information.

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Failure to Furnish Information About Foreign-Owned Corporations - Notice of Certain Transfers to Foreign Persons	19141.5	6038B	Failure to furnish information records about transfers or distributions to foreign-owned corporations, under IRC Section 6038B.	10% of fair market value at time of exchange, not to exceed \$100,000 unless failure due to intentional disregard.
Exceptions - Reasonable cause and not willful neglect.				
Failure to Furnish Information About Foreign-Owned Corporations - Information With Respect to Foreign Corporations Engaged in U.S. Business	19141.5	6038C	A foreign corporation engaged in a trade or business within the U.S. at any time during the year does not furnish or maintain required information.	<ul style="list-style-type: none"> \$10,000 for each taxable year for which the taxpayer fails to provide the required information or fails to maintain the required records. Additional penalty of \$10,000 for each 30-day period, where taxpayer continues, in excess of 90 days after notification, to fail to provide information.
Exceptions - Reasonable cause.				
Failure to Retain Unitary Records Penalty	19141.6	None	Any taxpayer engaged in a unitary business that fails to maintain records relating to unitary combination, apportionment and allocation, and application of federal law.	<ul style="list-style-type: none"> \$10,000 for each year that the taxpayer fails to maintain or causes another to fail to maintain the required records. If the failure continues beyond 90 days of notice from us, an additional penalty of \$10,000 for each 30-day period shall be imposed up to a maximum of \$50,000 if the taxpayer's conduct is not willful.
Exceptions - None.				

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Accuracy Related Penalty	19164	6662	Any underpayment of tax required to be shown on a return, attributable primarily to negligence or disregard of rules and regulations or a substantial understatement of income tax. Exceptions - The defenses to an accuracy related penalty include (1) substantial authority, (2) adequate disclosure and reasonable basis or (3) reasonable cause and good faith, depending on the grounds for imposing the penalty. In addition, see underlying regulation regarding unitary and business and nonbusiness income determinations.	<ul style="list-style-type: none"> • 20% of the underpayment of tax. • 40% unless certain exceptions apply for amnesty eligible years, which are tax years prior to January 1, 2003.
Accuracy Related Penalty - Substantial Valuation Misstatement	19164	6662(e)(1) and 6662(c)	<p>A substantial valuation misstatement exists when the value (or adjusted basis) of any property claimed on a return is 150% or more of the correct amount.</p> <ul style="list-style-type: none"> • Transactional Penalty - The price reported for any property or services claimed on a return is 200% or more (or 50% or less) of the correct figure. • Net Adjustment Penalty - When the transfer price of any property or services increases the taxable income for the taxable year by the lesser of \$5 million or 10% of the taxpayer's gross receipts. <p>Exceptions - Reasonable cause and good faith. (See Treasury Regulation. Section 1.6664-4 and 1.6662-6 for special rules.) There is no disclosure exception to this penalty. Treasury Regulation Section 1.6662-5(a). When there is an underpayment due to overstated charitable deduction property, there are special rules for reasonable cause under IRC Section 6664(c) for returns filed after January 1, 2010.</p>	<ul style="list-style-type: none"> • 20% of the portion of the underpayment of tax attributable to the misstatement. <ul style="list-style-type: none"> o Applies to returns filed on or after January 1, 2010. • No penalty imposed unless the portion of the underpayment exceeds \$5,000 (\$10,000 for corporations other than S corporations or personal holding companies).
Accuracy Related Penalty - Increase in Penalty in Case of Gross Valuation Misstatements	19164	6662(h)	<p>A gross valuation misstatement exists if:</p> <ul style="list-style-type: none"> • The value (or adjusted basis) of any property on a return is 200% or more of the correct amount, or • The price for any property or service claimed on a return is 400% or more (or 25% or less) of the correct price, or • The net Section 482 adjustment exceeds the lesser of \$20 million or 20% of the taxpayer's gross receipts. <p>Exceptions - Reasonable cause and good faith. (See Treasury Regulation Section 1.6664-4 and 1.6662-6(d).) There is no disclosure exception to this penalty. Treasury Regulation Section 1.6662-5(a). When there is an underpayment due to overstated charitable deduction property, there are special rules for reasonable cause under IRC Section 6664(c) for returns filed after January 1, 2010.</p>	<p>40% of the portion of the underpayment of tax attributable to the misstatement.</p> <p>Applies to returns filed on or after January 1, 2010.</p> <p>No penalty imposed unless the amount of the underpayment exceeds \$5000 (\$10,000 for corporations other than S corporations or personal holding companies).</p>

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Fraud Penalty	19164	6663	When there is clear and convincing evidence to prove that some part of the underpayment of tax was due to civil fraud. Such evidence must show the taxpayer's intent to evade tax which the taxpayer believed to be owing. Exceptions - Reasonable cause and good faith.	75% of the underpayment attributable to civil fraud.
Reportable Transaction Accuracy Related Penalty - Disclosed Reportable Transaction	19164.5	6662A	Any disclosed reportable transaction understatement for tax years beginning on or after January 1, 2005. Exceptions - Chief Counsel relief for reportable transactions other than listed transactions. The standards in R&TC Section 19772 apply.	20% of the understatement attributed to the reportable or listed transaction if the transaction is adequately disclosed on the return.
Reportable Transaction Accuracy Related Penalty - Undisclosed Reportable Transaction	19164.5	6662A(c)	Any undisclosed reportable transaction understatement for tax years beginning on or after January 1, 2005. Exceptions - Chief Counsel relief for reportable transactions other than listed transactions. The standards in R&TC Section 19772 apply.	30% of the understatement attributed to the reportable or listed transaction if the transaction is not adequately disclosed on the return.
Preparer Penalty	19166(a)	6694(a)(1)	When a preparer completes a return or claim for refund that results in the taxpayer's understatement based on an unreasonable position and the preparer knew or reasonably should have known of the unreasonable position. Exceptions - The preparer can avoid the penalty (1) if the position is adequately disclosed and has a reasonable basis; (2) if the position is not disclosed and is not a tax shelter and there is substantial authority for the position; or (3) for a tax shelter position defined in IRC Section 6662(d) or a reportable transaction under IRC Section 6011, if the preparer reasonably believes that the position is more-likely-than-not correct. Also reasonable cause and good faith. If preparer pays at least 15% of the penalty within 30 days of the bill and files a claim for refund, the preparer may file an action in court within 30 days of the claim denial or deemed denial.	\$250 with respect to each return or claim. Applies to returns prepared after January 1, 2010.

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Preparer Penalty - Reportable Transactions, Listed Transactions or Gross Misstatements	19166(b)(1)	None	When a preparer completes a return or claim for refund that results in the taxpayer's understatement based on an undisclosed reportable transaction, a listed transaction, or a gross misstatement. Exceptions - Standard to avoid the penalty is more-likely-than-not. If preparer pays at least 15% of the penalty within 30 days of the bill and files a claim for refund, the preparer may file an action in court within 30 days of the claim denial or deemed denial.	\$1,000 or 50% of the income derived (or to be derived) with respect to each return or claim. Applies to returns prepared after January 1, 2010.
Understatement of a Taxpayer's Liability by Tax Preparer - Willful or Reckless Conduct	19166(c)	6694(b)	If the understatement of the taxpayer's tax is due to the preparer's willful attempt to understate the liability or any reckless or intentional disregard of rules or regulations. Exceptions - A preparer is not considered to have recklessly or intentionally disregarded a rule or regulation if the position has a reasonable basis and is adequately disclosed. If a regulation is at issue, there must be a good faith challenge. If the position is contrary to a revenue ruling or notice, the substantial authority standard applies. The same rules of paying 15% and filing a claim and suit in court apply.	The greater of \$5,000 or 50% of the income derived (or to be derived) with respect to each return or claim. Applies to returns prepared after January 1, 2010.
Additional Penalties - Failure to Furnish Copy to Taxpayer	19167(a)	6695(a)	Failure to furnish a completed copy of return or claim. Exceptions - Reasonable cause and not willful neglect.	\$50 per failure, not to exceed \$25,000 during any calendar year.
Additional Penalties - Failure to Furnish Identifying Number	19167(b)	6695(c)	Failure to include on a return or claim the identifying number of the preparer, employer or both. Exceptions - Reasonable cause and not willful neglect.	\$50 per failure, not to exceed \$25,000 during any calendar year.
Additional Penalties - Failure to Retain Copy or List	19167(c)	6695(d)	Failure to retain a completed copy of a return or claim for 3 years or a list with the taxpayer's name and identifying number and make the return or list available for inspection by FTB. Exceptions - Reasonable cause and not willful neglect.	\$50 per failure, not to exceed \$25,000 during any calendar year.

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Additional Penalties - Failure to Register as a Tax Preparer with California Tax Education Council (CTEC)	19167(d)(1) and (2)	None	Failure to register with the CTEC.	\$2,500 for first failure to register. \$5,000 for other than first failure.
Negotiation of Taxpayer's Check by Tax Preparer	19169, 20645.7	6695(f)	<p>If the tax preparer endorses or otherwise negotiates a check for the refund of tax that is issued to a taxpayer, if the person was the preparer of the return or claim that gave rise to the refund check.</p> <p>Exceptions - Reasonable cause and good faith. The penalty may be waived if the preparer provides proof of registration to us within 90 days of mail date of notice. Certain persons are exempt from the requirement to register, such as licensed certified public accountants (CPA) and licensed attorneys.</p>	\$250 for each endorsement or negotiation of a check.
Failure to File Electronically	19170	None	<p>Exceptions - The preparer will not be considered to have endorsed a check solely as a result of putting the taxpayer's name to a check for the purpose of depositing the check into the taxpayer's account, if authorized by the taxpayer.</p> <p>If a preparer that is subject to R&TC Section 18621.9 fails to file returns electronically.</p> <p>Exceptions - Reasonable cause and not willful neglect. Reasonable cause can be established by the taxpayer electing not to file electronically.</p>	\$50 for each failure.
Failure of Partnership to Comply with Filing Requirements	19172	6698	<p>If a partnership:</p> <ul style="list-style-type: none"> • Fails to file a timely return, including any extensions, or • Files a return that fails to include information required under R&TC Section 18633 or 18633.5. <p>Exceptions - Reasonable cause.</p>	<p>\$10 multiplied by the number of persons who were partners during any part of that taxable year, for each month during which that failure continues, not to exceed 5 months.</p> <p>For tax returns filed on or after January 1, 2011, the penalty is computed as \$18 multiplied by the number of persons who were partners during any part of that taxable year for each month during which that failure continues, not to exceed 12 months.</p>

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Failure of S Corporation to Comply with Filing Requirements	19172.5	N/A	<p>If an S Corporation:</p> <ul style="list-style-type: none"> Fails to file a timely return, including extensions, or Files a return that fails to include information required under R&TC Section 18601. <p>Exceptions - Reasonable cause.</p>	For tax returns filed on or after January 1, 2011, the penalty is computed as \$18 multiplied by the number of persons who were shareholders during any part of that taxable year for each month during which that failure continues, not to exceed 12 months.
Failure to Comply With Request to Provide Lists - Reportable Transactions	19173(a)	6708	<p>Failing to provide lists of advisees with respect to reportable transactions (other than a listed transaction) to FTB within 20 business days after FTB requests the list.</p> <p>Exceptions - Chief Counsel relief for reportable transactions other than listed transactions.</p>	\$10,000 for each day of such failure after the 20th business day.
Failure to Comply With Request - Material Advisors With Respect to Listed Transactions	19173(b)	6708	<p>Material advisors who fail to meet the requirements of R&TC Section 18648 with respect to a listed transaction.</p> <p>Exceptions - The penalty does not apply if it is shown that the additional information required was not identified in our notice prior to the date the transaction/shelter was entered into. No Chief Counsel review for listed transactions.</p>	\$100,000 or 50% of gross income that the material advisor derived from that activity whichever is greater.
Failure to Report Personal Service Remuneration	19175	None	<p>Any person or entity who fails to report amounts paid as remuneration for personal services may be liable for a penalty.</p> <p>Exceptions - None.</p>	<ul style="list-style-type: none"> The maximum personal income tax rate multiplied by the unreported amounts paid as remuneration for personal services. In addition, at our discretion, we may disallow the deduction for amounts paid as remuneration.
Statement That Results in Under-Withholding	19176	6682	<p>Statement that results in a decrease in amounts deducted and withheld, if there was no reasonable basis for the statement.</p> <p>Exceptions - Penalty may be waived if the tax paid by the individual for the taxable year is equal to or less than the sum of both certain credits allowed and payments of estimated tax.</p>	\$500 for the statement.

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Promotion of Abusive Tax Shelter	19177	6700	Any person who engages in the organization of, or sale of any interest in, a partnership or other entity, an investment plan or arrangement, or any other plan or arrangement, if the person makes, furnishes, or causes another person to make or furnish: <ul style="list-style-type: none"> • A false or fraudulent tax benefits statement as to a material matter; or • A gross valuation overstatement as to a material matter. <p>Exceptions - If a penalty is imposed with respect to a gross valuation overstatement, the penalty may be waived on a showing that there was a reasonable basis for the valuation and the valuation was made in good faith.</p>	<ul style="list-style-type: none"> • \$1,000 or 100% of the gross income derived (or to be derived) by the person from the activity whichever is less. • If the activity on which the penalty is imposed involves a false or fraudulent statement as to any matter pertaining to the tax shelter plan or arrangement, the penalty is 50% of the gross income the promoter derived (or was to derive) from promoting the activity.
Aiding and Abetting Understatement of Tax Liability-Noncorporations	19178	6701(b)(1)	Aiding and abetting understatement of tax. Exceptions - None.	<ul style="list-style-type: none"> • \$1,000, \$10,000 if the tax liability relates to a corporation. • Only one penalty per person per period.
Filing Frivolous Return	19179(a) and (b)	6702(a)	Filing a frivolous return. Exceptions - Chief Counsel relief.	For all returns filed on or after January 1, 2011, the amount of the frivolous return penalty is \$5,000.
Frivolous Submissions	19179(d)	6702(b)	Filing a specified frivolous submission. Exceptions - Chief Counsel relief.	\$5,000.
Failure to Comply With Original Issue Discount Reporting Requirements	19181	6706	Failing to comply with original issue discount reporting requirements. Exceptions - Reasonable cause and not willful neglect.	<ul style="list-style-type: none"> • \$50 for each failure to show information on debt instrument. • 1% of the aggregate issue price of each issue, up to a maximum of \$50,000 for each issue for failure to furnish information to taxing agency.

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Failure to Furnish Information Regarding Reportable Transaction	19182	6707	<p>Person who fails to file a return with respect to any reportable transaction before the date prescribed or who files false or incomplete information with respect to such transactions.</p> <p>Exceptions - Penalty will not apply if it is shown that the additional required information was not identified in our notice issued prior to the date of the transaction. Chief Counsel relief for reportable transactions other than listed transactions.</p>	\$50,000; for listed transactions, equal to the greater of: \$200,000 or 50% (or 75% if failure is intentional) of the gross income derived by such a person.
Failure to Disclose Quid Pro Quo Contributions	19182.5	6714	For each contribution where the organization fails to make the required disclosure.	\$10 for each contribution, but the total penalty with respect to a particular fundraising event or mailing shall not exceed \$5,000.
Failure to File Correct Information Return	19183	6652, 6721-6724	<p>Exceptions - Reasonable cause. No penalty imposed if requirements under IRC Section 6115 are met.</p> <p>Failing to file correct information returns.</p> <ul style="list-style-type: none"> \$50 for failure to file correct information returns, with respect to which such a failure occurs. Shall not exceed \$250,000 during any calendar year; \$100,000 for persons with gross receipts of not more than \$5 million. Higher penalties (without reduction for correction) apply in the case of intentional disregard, depending on type of information return. 	
Failure to File Correct Information Return	19183	6721(b)(1)	<p>Exceptions - De minimis failure exception. Reasonable cause and not willful neglect.</p> <p>Reduction in failure to file correct information return penalty when corrected within 30 days.</p> <ul style="list-style-type: none"> \$15 for failure to file correct information returns, with respect to which such a failure occurs. Shall not exceed \$75,000 during any calendar year; \$25,000 for persons with gross receipts of not more than \$5 million. 	
Failure to File Correct Information Return	19183	6721(b)(2)	<p>Exceptions - Reasonable cause and not willful neglect.</p> <p>Reduction in failure to file correct information return penalty when corrected on or before August 1.</p> <ul style="list-style-type: none"> \$30 for failure to file correct information returns, with respect to which such a failure occurs. Shall not exceed \$150,000 during any calendar year; \$50,000 for persons with gross receipts of not more than \$5 million. 	
			Exceptions - Reasonable cause and not willful neglect.	

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Failure to File Correct Information - Failure to Furnish Correct Payee Statements	19183(b)(1)	6722(a)	Failure to furnish correct payee statements.	<ul style="list-style-type: none"> \$50 for each statement, up to a maximum of \$100,000 for each calendar year. \$100, or, if greater, 5% or 10% of the aggregate amount of the items required to be reported correctly, depending on the type of return required, with respect to each such failure for intentional disregard. <p>The \$100,000 limitation in IRC Section 6722(a) shall not apply.</p>
Failure to File Correct Information - Failure to Comply With Other Information Reporting Requirements	19183(c)	6723	<p>Exceptions - Reasonable cause and not willful neglect.</p> <p>Failure to comply with other information reporting requirements.</p>	\$50 for each such failure, up to a maximum of \$100,000 for each calendar year.
Failure to File Correct Information - Failure to Provide Written Explanation to Recipients of Distributions Eligible for Rollover Treatment.	19183(e)	None	<p>Exceptions - Reasonable cause and not willful neglect.</p> <p>Failure to provide written explanation to recipients of distributions eligible for rollover treatment pursuant to IRC Section 402(f).</p>	\$10 for each failure, up to a maximum of \$5,000 for each calendar year after notice and demand.
			Exceptions - Reasonable cause and not willful neglect.	

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Failure to File Report Regarding Tax Deferred Savings Accounts	19184	6693	Failure to file report regarding tax deferred savings accounts.	\$50 for each failure.
			Exceptions - Reasonable cause.	
Failure to File Report Regarding Tax Deferred Savings Accounts - Overstatement as to Amount Designated Nondeductible Contributions	19184(b)(1)(B)	6693	Overstating the amount designated as nondeductible contributions for any taxable year.	\$100 for each overstatement.
			Exceptions - Reasonable cause.	
Failure to File Report Regarding Tax Deferred Savings Accounts - Failure to File A Form Required for Nondeductible Contributions to Individual Retirement Accounts (IRA)	19184(b)(2)	6693	Failure to file a form required for nondeductible contributions to IRAs.	\$50 for each failure.
			Exceptions - Reasonable cause.	
Failure to Provide Information Concerning State Licenses Penalty	19528	None	Licenses failing to provide identification numbers upon demand.	\$100 after notice and demand.
			Exceptions - None.	

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Frivolous Proceedings; Failure to Exhaust Administrative Remedies	19714	6673	Taxpayer's action at the State Board of Equalization (BOE) or in court that was instituted or maintained by the taxpayer for delay, or that the position was frivolous or groundless, or that administrative remedies were not pursued. Exceptions - None.	Not more than \$5,000.
Business Conducted After Suspension or Forfeiture of Corporate Rights	19719	None	Anyone who attempts or purports to exercise the powers, rights, and privileges of a corporation that has been suspended or forfeited.	\$250 and not exceeding \$1,000.
Failure to Include Information on Reportable Transactions	19772	6707A	Exceptions - Not applicable to any insurer or insurer's counsel. Failure to include reportable transactions information with a return.	\$15,000, \$30,000 if listed transaction.
Noneconomic Substance Transaction Understatement	19774	None	Exceptions - Chief Counsel relief only for reportable transactions other than listed transactions. Understatement of a noneconomic substance transaction.	<ul style="list-style-type: none"> • 40% of understatement. • Reduced to 20% if relevant facts adequately disclosed in the return.
Interest-Based Penalty for Listed Transactions, et al.	19777	None	Exceptions - Chief Counsel relief. Taxpayer contacted by FTB concerning an undisclosed reportable transaction, listed transaction, or a gross misstatement. Exceptions - None.	100% of the interest payable for the period beginning on the due date of the return and ending on the date the NPA is mailed.

Franchise Tax Board
Penalty Reference Chart

Penalty Name	R&TC Section	IRC Section	Penalty Reason	Computation
Amnesty Program Interest Penalties	19777.5	None	<p>An addition to tax for each tax year that was eligible for amnesty, but amnesty was not requested, and there was an unpaid amount due on March 31, 2005 (i.e., 50% Interest Based penalty). The penalty is also imposed where FTB mails a notice of proposed assessment or a notice of tax due or where a taxpayer self assesses additional tax for an amnesty eligible tax year after the end of the amnesty period (i.e., Post-Amnesty Penalty).</p> <p>Exceptions - No claim for refund allowed except on the grounds that the penalty was not properly calculated.</p>	<ul style="list-style-type: none"> The 50% Interest Based penalty is calculated as an amount equal to fifty percent of the interest that accrued on the unpaid daily balance from the original due date of the tax to March 31, 2005. The post-amnesty penalty is calculated as an amount equal to fifty percent of the interest computed on the additional amount from the original due date of the tax year to March 31, 2005.
150% Interest Penalty	19778	None	<p>Amended return filed after April 15, 2004, but before taxpayer is contacted by FTB regarding a potentially abusive tax shelter.</p> <p>Exceptions - None.</p>	<p>Interest accrues at a rate of 150% of the adjusted annual rate.</p>
Relief From Contract Voidability	23305.1	None	<p>The period for which relief from voidability of the contract is granted.</p> <p>Exceptions - None.</p>	<p>\$100 daily for each day of the period for which relief from voidability is granted, not to exceed a total penalty equal to the amount of the tax for the period for which relief is requested.</p>
Failure of Exempt Organizations and Trusts to File Annual Information Return	23772	6033, 6072(e)	<p>The period in which the exempt organization or trust fails to file a return after the date promised, after receiving a demand for a return from FTB.</p> <p>Exceptions - Reasonable cause.</p>	<p>\$5 for each month or fraction thereof during which the failure to file a return continues, but the total amount imposed on any organization for the failure to file shall not exceed \$40 (\$25 for private foundation).</p>
Failure to Supply Information Penalty	25112	None	<p>Taxpayer engaged in a unitary business that fails to supply requested information.</p> <p>Exceptions - Reasonable cause.</p>	<ul style="list-style-type: none"> \$1,000 for each taxable year. Additional penalty of \$1,000 for each 30 days up to \$24,000 if failure continues for more than 90 days after we mail notice of failure to the taxpayer.



STATE OF CALIFORNIA
OIC GROUP MS A453
FRANCHISE TAX BOARD
PO BOX 2966
RANCHO CORDOVA CA 95741-2966
916.845.4787 (not toll-free)
ftb.ca.gov

OFFER IN COMPROMISE APPLICATION FORM

Checklist of Required Items

You must submit the following documentation with your Offer in Compromise Application Form or we will return your application as incomplete. You must include the information for you and your spouse/Registered Domestic Partner (RDP). Please submit copies only. Indicate if any of the items below are not applicable (N/A). We may request additional documentation.

N/A Included

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Verification of Income
Complete pay stubs for the past three months, or financial statements for the past two years if self-employed. Include any investment or ownership in any business entity or trust, and income derived from these sources (dividends, K-1 income, distributions, etc.). |
| <input type="checkbox"/> | <input type="checkbox"/> | Verification of Expenses
Billing statements for the last three months. (Include copies of revolving charge card statements, bills from other creditors, and personal loan statements.) |
| <input type="checkbox"/> | <input type="checkbox"/> | Bank Information
Complete bank statements for savings and checking accounts for the last six months. If self-employed, provide bank statements for the last twelve months. Include accounts that have been closed during that period. |
| <input type="checkbox"/> | <input type="checkbox"/> | Securities
Investment account statements showing the value of stocks, bonds, mutual funds, and/or retirement or profit sharing plans, e.g., IRA, 401(k), Keogh, or Annuity. |
| <input type="checkbox"/> | <input type="checkbox"/> | Current Lease or Rental Agreements |
| <input type="checkbox"/> | <input type="checkbox"/> | Real Property Information
Mortgage statements and escrow statements for property you currently own, sold, or gave away in the last five years. |
| <input type="checkbox"/> | <input type="checkbox"/> | Internal Revenue Service (IRS) Information
IRS OIC application and acceptance letter or other IRS arrangements. |
| <input type="checkbox"/> | <input type="checkbox"/> | Legal Documents
Marital settlement agreements, divorce decrees, marital property settlements, trust documents, and bankruptcy documents. |
| <input type="checkbox"/> | <input type="checkbox"/> | Medical Information
Physician's letter including diagnosis and prognosis and/or other documents to show any medical condition that should be considered. |
| <input type="checkbox"/> | <input type="checkbox"/> | Power of Attorney
Power of Attorney if a designated representative submits this offer. |

Mail your completed and signed application to the address listed above.

If you have any questions, contact the OIC group at 916.845.4787 (not toll-free).

Note: Complete all areas that are not shaded. Write "n/a" in those blocks that do not apply. For Privacy Notice information, please read the enclosed FTB 1131. To get additional copies of this notice, call us at 800.338.0505; from outside the United States call 916.845.6600 (not toll-free) or download it at ftb.ca.gov.

Section 1 – Personal Information

First name	MI	Last name	Social security number	Date of birth
Other names and aliases ever used				
First name of spouse or Registered Domestic Partner (RDP)	MI	Last name of spouse or RDP	Social security number	Date of birth
Other names and aliases ever used				
Taxpayer's driver's license number	State	Spouse or RDP driver's license number	State	
Dependent's names	Date of birth	Social security number	Relationship	
Current mailing address		Phone number		
		()		
		Cell phone number		
		()		
Current physical address		Previous address if at current address less than two years		
Name and address of your tax representative (attach a Power of Attorney)		Phone number		
		()		
		Cell phone number		
		()		
		Fax phone number		
		()		

Taxpayer's employer or business (name and address): 	How long employed: _____ Years _____ Months Occupation: _____ <input type="checkbox"/> Wage earner <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partner <input type="checkbox"/> Officer Paid: <input type="checkbox"/> Weekly <input type="checkbox"/> Biweekly <input type="checkbox"/> Monthly <input type="checkbox"/> Semimonthly
<u>Business phone number:</u> () Spouse's or RDP's employer or business (name and address): 	How long employed: _____ Years _____ Months Occupation: _____ <input type="checkbox"/> Wage earner <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partner <input type="checkbox"/> Officer Paid: <input type="checkbox"/> Weekly <input type="checkbox"/> Biweekly <input type="checkbox"/> Monthly <input type="checkbox"/> Semimonthly
<u>Business phone number:</u> ()	

Bank accounts: (include IRA and retirement plans, certificates of deposit, etc.). Attach additional pages if needed.

Name of Institution	Address	Type	Date Opened	Account Number	Balance

Total. Enter this amount on line 2, Section 4 (Asset and Liability Analysis) of this application . . .

Vehicles: Attach additional pages if needed.

Year, Make, Model, License Number	Lender/Pink Slip Holder	Current Market Value	Current Payoff	Available Equity

Total. Enter this amount on line 3, Section 4 (Asset and Liability Analysis) of this application . . .

Section 3 – General Financial Information (continued)

Life insurance. Attach additional pages if needed.

Name of Insurance	Agent's Name and Phone Number	Policy Number	Type	Face Amount	Loan/Cash Surrender Value

Total. Enter this amount on line 4, Section 4 (Asset and Liability Analysis) of this application . . .

Securities. (Stocks, bonds, mutual funds, money market funds, etc.) Attach additional pages if needed.

Type	Where Located	Owner of Record	Quantity or Denomination	Current Value

Total. Enter this amount on line 5, Section 4 (Asset and Liability Analysis) of this application . .

Safe deposit boxes rented or accessed locations, box numbers, and contents. Attach additional pages if needed.

Name of Institution	Address	Box Identification	

Total. Enter this amount on line 6, Section 4 (Asset and Liability Analysis) of this application . .

Real property. Attach additional pages if needed.

A) Physical address and description: (Single family dwelling, multi-family dwelling, lot, etc.)	Mortgage lender's name and address:
	How is title held: _____
	Purchase Price: _____
Parcel Number: _____	Purchase Date: _____
B) Physical address and description: (Single family dwelling, multi-family dwelling, lot, etc.)	Mortgage lender's name and address:
	How is title held: _____
	Purchase Price: _____
Parcel Number: _____	Purchase Date: _____

Section 3 – General Financial Information (continued)

C) Physical address and description: (Single family dwelling, multi-family dwelling, lot, etc.)	Mortgage lender's name and address:
	How is title held: _____
	Purchase Price: _____
Parcel Number: _____	Purchase Date: _____

Charge cards and lines of credit. Attach additional pages if needed.

Type of Account	Name and Address of Creditor Grantor	Minimum Monthly Payment	Credit Limit	Credit Availability	Amount Owed
Total Payments. Enter total of payments on line 61, Section 5 of this application.			Total Owed. Enter total owed on line 22, Section 4 of this application. ...		

Provide the following information relating to you and your spouse/RDP's financial condition. If you check "Yes", provide dates, explanation, and documentation.

Court proceedings	<input type="checkbox"/> No <input type="checkbox"/> Yes	_____
Repossessions	<input type="checkbox"/> No <input type="checkbox"/> Yes	_____
Anticipated increase in income	<input type="checkbox"/> No <input type="checkbox"/> Yes	_____
Bankruptcies/receiverships	<input type="checkbox"/> No <input type="checkbox"/> Yes	_____
Recent transfer of assets	<input type="checkbox"/> No <input type="checkbox"/> Yes	_____
Beneficiary to trust, estate, profit sharing, etc.	<input type="checkbox"/> No <input type="checkbox"/> Yes	_____
Last California income tax return filed	Year _____	_____
Total exemptions you claim from return:	_____	_____
Adjusted gross income from return:	_____	_____

List any vehicles, equipment, or property sold, given away, or repossessed during the past five years.

Description (Year, make, model of vehicle, or property address)	Who Took Possession	Value

Section 4 – Asset and Liability Analysis

Immediate assets

1. Cash.....
 2. Bank accounts/balance (from Section 3)
 3. Vehicles/available equity (from Section 3)
 4. Loan/cash surrender value of life insurance (from Section 3)
 5. Securities (from Section 3).....
 6. Safe deposit box value of contents (from Section 3)
- Total Immediate Assets**

Real property (from Section 3)

Address or Location	Current Market Value	Mortgage Payoff Amount	Equity
7. A)			
8. B)			
9. C)			
Total Equity			

Other assets

10. Notes
 11. Accounts receivable
 12. Judgements/settlements receivable
 13. Aircraft, watercraft
 14. Interest in trusts, e.g., trustee, trustor, beneficiary, etc.
 15. Interest in estates
 16. Interest in business entities
 17. Other assets
 18. Other assets
 19. Other assets
 20. Other assets
- Total Other Assets**

21. Sum Total of Assets (Immediate, Equity, and Other)

Current liabilities including judgements, notes and other charge accounts. Do **not** include vehicle or home loans.

22. Total owed for lines of credit (from Section 3)
 23. Taxes owed to IRS (provide a copy of recent notices)
 24. Other liabilities
 25. Other liabilities
 26. Other liabilities
 27. Other liabilities
- Total Liabilities**

Section 5 – Monthly Household Income and Expense Analysis

Income	Gross	Net	FTB use only
28. Wages/salaries (taxpayer)			
29. Pension (taxpayer)			
30. Overtime/bonuses/commissions (taxpayer)			
31. Wages/salaries (spouse/RDP)			
32. Pension (spouse/RDP)			
33. Overtime/bonuses/commissions (spouse/RDP)			
34. Business income			
35. Rental income			
36. Interest/dividends/royalties (average monthly)			
37. Payments from trust/partnerships/entities			
38. Child support			
39. Alimony			
40. Unemployment			
41. Disability			
42. Social Security			
43. Other household income			
Total Monthly Net Income			

Expenses	Amount	FTB use only
44. Rent/mortgage		
45. Real estate taxes		
46. Home insurance () Association fees ()		
47. Groceries, number of people ()		
48. Utilities		
49. Electric () & Phone ()		
50. Gas () & Water ()		
51. Trash () & Sewer ()		
52. Auto payments		
53. Auto insurance		
54. Gasoline, number of miles to work ()		
55. Life/health insurance (if not deducted from paycheck)		
56. Medical payments (not covered by insurance)		
57. Estimated tax payments (if not deducted from paycheck)		
58. Court-ordered payments (alimony, child support, restitution)		
59. Garnishments (if not deducted from your paycheck)		
60. Delinquent tax (taxes not owed to FTB)		
61. Credit card payments		
62. Other expenses		
63. Other expenses		
Total Monthly Expenses		
64. Difference Between Net Income and Expenses		

Gross Household Income

Section 7 – Basis for the Offer

[illegible]

Section 8 – Source of Funds

If any or all of the amount being offered is from a loan, please provide the following information:

Lender's name	Total amount of the loan _____
------------------------	--------------------------------

If any or all of the amount being offered is from a gift, please provide the following information:

Gift donor's name	Total amount of the gift _____
	Relationship to taxpayer _____

Describe sources of offered funds other than a loan or a gift
.....
.....

If this OIC is denied, FTB is to:

- ☐ Retain any offer funds and credit it to the current tax liability.
☐ Return the offer funds.

Section 9 – Offer Amount

Amount Owed to FTB: _____ Tax Years: _____

The lump sum of: _____ is offered in compromise. An FTB representative will instruct you when to mail the offer amount. **Do not send any funds now.**

Section 10 – Statement of Agreement

I understand that FTB considers the offer and acts upon it timely. It does not relieve me of the liability FTB seeks to be compromised until FTB accepts the offer and I fully comply with all agreements.

Except for any amount I deposit in connection with this offer, I agree that FTB retain all payments and credits made to the account for the periods this offer covers.

I also agree that upon notice of the acceptance of the offer, I shall have no right to contest in court or otherwise the amount of the liability sought to be compromised. No liability will be compromised until I and or any jointly liable party completely perform all obligations under the compromise agreement or collateral agreement.

Pursuant to Revenue and Taxation Code Section 19443, the terms and conditions for acceptance of my offer include, but are not limited to, requirements that I file returns and pay all tax liabilities in a timely manner in the future. Failure to comply with these requirements may result in rescission of my OIC. In the event of a default by me on the approved offer, I agree that FTB may disregard the amount of the offer and retain all amounts previously deposited under the offer and proceed to collect the balance of the original liability, including accrued interest, fees, and penalties.

Additionally, I authorize the FTB to obtain my consumer credit report and to investigate and verify the information I provided on this application.

Under penalty of perjury, I declare that I have examined the information given in this statement and all other documents included with this offer and, to the best of my knowledge and belief, they are true, correct, and complete.

Your signature	Date	Spouse's or RDP's signature	Date
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State of California
Franchise Tax Board

Installment Agreement Request

Complete and sign this page. Mail it to: FRANCHISE TAX BOARD, PO BOX 2952, SACRAMENTO CA 95812-2952. If we approve your request, we agree to accept monthly installment payments instead of immediate payment in full. In return, you agree to the taxpayer installment agreement conditions on PAGE 1 of this form. Failure to provide complete information will delay processing your request. Do not attach this form to your income tax return. Do not submit this form if you have an existing installment agreement or a current wage garnishment (Order to Withhold, Continuous Order to Withhold, or Earnings Withholding Order for Taxes).

If your request is for a joint tax liability, print the names and social security numbers (SSNs) or FTB identification numbers (ID) in the same order as on your California state income tax return.

First Name:	M.I.:	Last Name:	SSN or FTB ID (required):
If Joint, Spouse's/RDP's First Name ¹ :	M.I.:	Last Name:	Spouse's/RDP's SSN or FTB ID:
Current Home Address – Number and Street, PO Box, or Rural Route:			Apt. No.:
City, Town, or Post Office:			State:
Home Phone Number:			ZIP Code:
Work Phone Number:		Spouse's/RDP's Work Phone Number:	
() _____ Ext. _____		() _____ Ext. _____	
Box 1. Enter Payment Amount You Will Pay Each Month:		Box 2. Enter a Date (no later than the 28th) You Will Make Each Payment:	
\$ _____		_____	

☐ The tax liability I owe exceeds \$10,000, or the installment period for payment exceeds 36 months, or both. By initialing this box, I certify that I have a financial hardship.

► **Signature Required for Installment Agreement Request:** By my signature, I certify that I have read and agree to the taxpayer installment agreement conditions on PAGE 1.

Print Name:	Phone Number:	Date:
-------------	---------------	-------

Electronic Funds Transfer (EFT) Authorization

I authorize an electronic funds withdrawal for following:

Bank Name and Address:		
Bank Routing Number:	Bank Account Number:	Check One:
		Checking <input type="checkbox"/> Savings <input type="checkbox"/>

I certify that I have the authority to request an electronic funds withdrawal from the account identified above, and I authorize the Franchise Tax Board (FTB) to initiate and process electronic funds withdrawal entries to the above account. This authorization remains in effect until one of the following occurs: 1) All unpaid tax liabilities due or becoming due during the course of this agreement are paid. 2) FTB terminates the installment agreement. 3) FTB receives written notice of cancellation of this EFT authorization within five business days prior to the payment due date.

I request that the payment amount in Box 1 above be withdrawn by EFT from my bank account each month on the date specified in Box 2 above. If this date falls on a Saturday, Sunday, or state holiday, I authorize the transfer for the next business day.

If FTB cannot deduct the monthly payment from my bank account because of insufficient funds or because my account is closed, FTB may terminate my installment agreement. I understand that FTB may charge me a dishonored payment penalty and a collection fee. I will also be responsible for any overdraft fees charges on my account.

► **Signature Required for EFT Authorization:**

X

Print Name:	Phone Number:	Date:
-------------	---------------	-------

¹ RDP refers to a registered domestic partner or partnership.



STATE OF CALIFORNIA
POA UNIT MS F283
FRANCHISE TAX BOARD
PO BOX 2828
RANCHO CORDOVA CA 95741-2828

Power of Attorney

Declaration for the Franchise Tax Board

This Power of Attorney (POA) Declaration remains in effect until you revoke it.

We provide instructions for completing this form on PAGES 3 and 4. For more information about a POA, go to ftb.ca.gov and search **POA**.

1. Taxpayer Information (Complete in full to avoid delays)

Taxpayer's Name and Address – Personal or Business If this is a joint POA, include your spouse/RDP ¹ name and address. Check if new address <input type="checkbox"/> .	Social Security No: - -	Business Entity Identification No: CA Corp No:
	- -	SOS No:
	Daytime Telephone () -	FEIN:
Spouse/RDP's address, if different:		

You **must** complete and attach PAGE 5 if this POA applies to the combined reporting of multiple corporations.

2. The taxpayers listed above appoint the following representatives as attorneys-in-fact:

Name and Address	Primary Representative	IRS CAF No:	PTIN:
		Telephone : () -	
		Fax : () -	
		Check if new <input type="checkbox"/> Address <input type="checkbox"/> Telephone <input type="checkbox"/>	
Name and Address		IRS CAF No:	PTIN:
		Telephone: () -	
		Fax : () -	
		Check if new <input type="checkbox"/> Address <input type="checkbox"/> Telephone <input type="checkbox"/>	

Attach a list of additional representatives; see PAGE 6 for your use, if necessary.

3. Specific Matters, Tax Years, or Income Periods

The representatives listed can represent you before us for the following:

Tax Years or Income Periods (required): _____

Matters (optional): _____

4. Authorization for Information Only

☐ Check this box if you **only** authorize your representative to receive your confidential tax information, but not to act as your attorney-in-fact.

5. Acts Authorized

You authorize your representative as an attorney-in-fact to:

- Receive and inspect your confidential tax information.
- Perform any actions you might perform to resolve your issues with us, such as signing agreements, consents, or other documents.

¹ RDP refers to a registered domestic partner or partnership.

6. ☐ **Specific Authorization** - I authorize the representative to perform additional selected acts described below:

☐ Delegate authority or substitute another representative.

☐ Receive, but not to endorse and collect checks in payment of any refund of taxes, penalties, or interest. *Please provide the name of the individual you are authorizing:* _____

☐ Other acts (describe specifically): _____

7. **Notices and Communications**

We send your primary representative copies of the notices we send to you. To send them to another representative instead, indicate this in number 6 above.

☐ Check this box if you do **not** want us to send copies of these notices to your representative.

8. **Retain or Revoke a Prior POA**

This POA Declaration **automatically revokes all prior POA Declarations for the same tax years or income periods** on file with us, unless you specify otherwise as detailed below. To expedite a revocation, refer to number 8, PAGE 4.

☐ Check this box if you **do not** want to revoke a prior POA Declaration. **You must attach a copy of each prior POA Declaration you want to remain in effect.**

9. **Signatures Authorizing a POA**

If the tax matter concerns a joint return **and** you declare joint representation, **both** spouses/RDPs must sign and date this declaration.

If you are a corporate officer, partner, guardian, tax matter representative, executor, receiver, administrator, or trustee on behalf of the taxpayers, you certify that you have the authority to execute this by signing the POA Declaration on behalf of the taxpayers.

☐ Check this box if your signature denotes a fiduciary relationship.

Signature

Date

Title (if applicable)

Print Name

Signature

Date

Title (if applicable)

Print Name

Signature

Date

Title (if applicable)

Print Name

Important Information

- POA Declarations do **not** need to be notarized.
- It is illegal to forge another person's signature.
- We will return this POA Declaration to you if it is not signed and dated.
- Retain a copy of this POA Declaration for your files.
- **Send** this declaration to:

Mail: STATE OF CALIFORNIA
POA UNIT MS F283
FRANCHISE TAX BOARD
PO BOX 2828
RANCHO CORDOVA CA 95741-2828

FAX: 916.843.5440

Additional Power of Attorney Information and Instructions

When Would You Need a POA

Use this FTB 3520, *Power of Attorney Declaration*, to grant authority to an individual to receive confidential tax information, or to represent you before us.

You can also use this form to authorize an individual to receive information from our **nontax programs**, such as *Court-Ordered Debt Collections*, *Vehicle Registration Collections*, etc.

Other Acceptable Forms of POA Declarations

We also accept these POA declarations:

- IRS *Power of Attorney and Declaration of Representative* (Form 2848) or IRS *Tax Information Authorization* (Form 8821), if you modify to state that they apply to Franchise Tax Board matters.
- A joint Board of Equalization/Franchise Tax Board/Employment Development Department Power of Attorney (BOE 392). You must check the "FTB box" to authorize representation before us.
- General or durable POA declarations.
- Handwritten authority documents.

If you do not use our FTB 3520, ensure that your declaration includes:

- Your name, address, phone number, and social security number or business identification number.
- The name, address, phone number, and fax number of your representatives.
- A clear statement that grants a person (or persons) authority to represent you before the Franchise Tax Board, and specifies the actions authorized.
- The specific matters and tax years or income periods.
- For estate tax matters, the decedent's name and date of death, and the representative's authorization.
- Your signature and the date. If you file a joint declaration, then **both** spouses/RDPs must sign and date it.

If your declaration does not contain the information noted above, then complete and submit FTB 3520.

Instructions for Completing FTB 3520

1. Taxpayer Information

Individuals: Provide your name, address, phone number, and social security number. If you file a joint POA Declaration, include similar information for your spouse/RDP.

Businesses (banks, corporations, partnerships, or limited liability companies): Provide your business name, address, phone number, and business entity identification number (e.g., California corporation (CA Corp.) number, Secretary of State (SOS) number, or Federal Employer Identification Number (FEIN)).

Fiduciaries (trustees, executors, administrators, receivers, or guardians): Provide your estate/trust name, address, phone number, and FEIN (if the IRS did not provide you a FEIN, provide your SSN). The fiduciary must sign and date the declaration.

A fiduciary stands in the position of a taxpayer and acts as the taxpayer, not as a representative. To authorize an individual to represent or perform certain acts on behalf of the estate/trust, the fiduciary must file a POA Declaration.

New Address Box: If the mailing address provided on the POA is new and you would like to permanently change your address with us, check the *new address* box. If you check the box, we will send all future notices to the new address you enter.

2. Representative Information

Provide your representative's information:

- Name, address, phone number, and fax number.
- IRS Central Authorization File Number or Practitioner Tax Identification Number (if known)

We will not accept your declaration if you designate a company or organization as your representative.

3. Specific Issues, Tax Years, or Income Periods

For tax issues, specify the tax years or income periods covered by your POA Declaration (e.g., 1999-2001, and 2003). Your representative can work with us only on the tax years or income periods you designate on your declaration. You cannot designate "all years" or "all periods." **We will return your declaration to you if you do not list all the tax years or income periods.**

You can list up to three future tax years or income periods on your declaration beyond the current year. For example, if the current year is 2007, you can list the 2008, 2009, and 2010 tax periods, but not beyond.

For **nontax issues**, enter the program's name on this line (e.g., *Court-Ordered Debt Collections*, *Vehicle Registration Collections*, etc.). **You do not need to specify a tax year for nontax issues.**

4. Authorization Information

If you check the box in number 4 on PAGE 1, it **only** authorizes us to disclose your confidential information to your representative. As a result, this person cannot represent you before us to resolve your issues.

5. Acts Authorized

Unless you specify otherwise, your representative is authorized as an attorney-in-fact to:

- Receive and inspect your account information.
- Represent you in matters before us.
- Sign waivers that extend the statutory period for assessment or determination of taxes.
- Execute settlement or closing agreements

6. Authorization for Additions or Deletions

You can increase or decrease the authority you grant to your representative. To do so, you must specify the actions you **do** or **do not** authorize your representative to take for you. Below are examples of additional actions you can authorize:

- Receiving your refund check (but not endorsing it).
To grant your representative this authority, you must contact us to establish it. For assistance, call us at 800.852.5711.
- Substituting or delegating authority to a new representative.
- Other acts not listed.

7. Notices and Communications

We send your primary representative copies of the notices that we send to you. If you wish to prevent this, mark the box in number 7, PAGE 2.

8. Retain or Revoke a Prior POA

When you file a POA Declaration, it revokes any prior POA Declaration you filed with us for the same tax years or income periods. To prevent this revocation, mark the box in number 8, PAGE 2, and attach a copy of the previous declaration(s) to the new one you submit to us.

To revoke a declaration, send us a newly signed and dated copy of it with **"REVOKE"** written across the top of PAGE 1. If you do not have a copy of it, send us a signed statement that instructs us to revoke it. In your statement, include your name, address, phone number, and social security number or business entity identification number. Also, include your representative's name and address.

A representative can also revoke his or her representation by sending us a signed and dated statement that includes the taxpayer's name, address, social security number or business entity identification number, and the tax years or income periods he or she is withdrawing from.

Mail your retention or revocation statement to:

STATE OF CALIFORNIA
POA UNIT MS F283
FRANCHISE TAX BOARD
PO BOX 2828
RANCHO CORDOVA CA 95741-2828

After we receive a POA revocation, we process it in approximately five business days. To expedite a revocation request, fax it to 916.843.5440.

9. Signatures to Authorize a POA Declaration

The taxpayer (or owner, officer, receiver, administrator, or trustee for the taxpayer) must sign the POA Declaration. If this is a joint declaration, **both** spouses/RDPs must sign and date it. If you do not sign and date it, we will return it to you without processing it.

Franchise Tax Board Privacy Notice

Get FTB 1131, Franchise Tax Board Privacy Notice, at ftb.ca.gov or call us at 800.338.0505. If outside the United States, call 916.845.6500.

Authorization Schedule for Multiple Corporations

You **must** complete this authorization schedule and attach it to FTB 3520 if this POA applies to the combined reporting of multiple corporations. Provide information for each corporation that this POA Declaration is executed on behalf of.

List the individual who signs the POA Declaration as a common corporate officer, receiver, administrator, or trustee for each of the taxpayers listed below.

Business Entity Information:

Grantor – Taxpayer's Name and Address	Business Entity Identification Number: CA Corp No:
	SOS No:
	FEIN:
	Telephone: () -
Name of Grantor's Authorized Individual – Required	Signatory's Title

Grantor – Taxpayer's Name and Address	Business Entity Identification Number: CA Corp No:
	SOS No:
	FEIN:
	Telephone: () -
Name of Grantor's Authorized Individual – Required	Signatory's Title

Grantor – Taxpayer's Name and Address	Business Entity Identification Number: CA Corp No:
	SOS No:
	FEIN:
	Telephone: () -
Name of Grantor's Authorized Individual – Required	Signatory's Title

Grantor – Taxpayer's Name and Address	Business Entity Identification Number: CA Corp No:
	SOS No:
	FEIN:
	Telephone: () -
Name of Grantor's Authorized Individual – Required	Signatory's Title

Attach additional authorization schedules if necessary.

Additional Authorizations**Taxpayer Information** – If this is regarding personal income tax, please provide the following:

Taxpayer's Name	Taxpayer's Social Security Number: - -
Spouse's /RDP's Name, (if applicable)	Spouse's/RDP's Social Security Number - -

Taxpayer Information - The taxpayers listed above appoint the following representatives as attorneys-in-fact:

Name and Address	Primary Representative	IRS CAF No:	PTIN:
		Telephone: () -	
		Fax: () -	
		Check if new <input type="checkbox"/> Address <input type="checkbox"/> Telephone	
Name and Address		IRS CAF No:	PTIN:
		Telephone: () -	
		Fax: () -	
		Check if new <input type="checkbox"/> Address <input type="checkbox"/> Telephone	
Name and Address		IRS CAF No:	PTIN:
		Telephone: () -	
		Fax: () -	
		Check if new <input type="checkbox"/> Address <input type="checkbox"/> Telephone	
Name and Address		IRS CAF No:	PTIN:
		Telephone: () -	
		Fax: () -	
		Check if new <input type="checkbox"/> Address <input type="checkbox"/> Telephone	
Name and Address		IRS CAF No:	PTIN:
		Telephone: () -	
		Fax: () -	
		Check if new <input type="checkbox"/> Address <input type="checkbox"/> Telephone	
Name and Address		IRS CAF No:	PTIN:
		Telephone: () -	
		Fax: () -	
		Check if new <input type="checkbox"/> Address <input type="checkbox"/> Telephone	