



Tax News

April 2012

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Contents	Page
MyFTB Account	2
Access MyFTB Account for Individuals Webinar	2
Web Pay	3
What to Do if You Are a Victim of Identity Theft	3
How to Handle Misdirected Direct Deposit Refund (DDR)	3
New Waiver of Mandatory e-Payment Requirement	4
Common Filing Errors	5
Systemic Issue Management System (SIMS) Issue	6
eDemand	7
IRS Nationwide Tax Forums	8
Tax News Flashes	
Understanding Real Estate Tax Deductions	8
Ask the Advocate	
Consider a Company "Status" When Buying or Selling	9
Event Calendar	10
EDR in the News	
2D Barcodes	10
Criminal Corner	
Laguna Beach Man Gets Jail for Fraud, Grand Theft, and State Income Tax Evasion	11
Inside FTB	
Happy Birthday Live Chat	12

MyFTB Account

MyFTB Account offers a variety of services to assist you in the preparation of your clients' personal income tax returns. You can:

- View account summaries and tax year detail for all tax years we have on file.
- Verify estimated tax payments before filing returns.
- View FTB-issued 1099-Gs and 1099-INTs.
- Obtain California wage and withholding information.
- View recent payments applied to accounts.

We encourage you to use these services to help prevent processing errors that may delay your clients' refunds. Go to ftb.ca.gov and search for **MyFTB Account**.

Access MyFTB Account for Individuals Webinar

Join us for a Webinar on Monday, April 9, from 10 a.m. to 10:30 a.m. [Register Now!](#)

This webinar will help you avoid common errors that can delay your client's refund or result in unintended bills after you file your return.

We will show you how to:

- Register.
- Verify estimated tax payments.
- Check balance due.
- View 1099-Gs and 1099-INTs issued by us.
- Obtain California wage and withholding information.

This webinar will be approximately 30 minutes long.

Space is limited. [Reserve](#) your webinar space now.

Web Pay

If your [individual](#) or [business](#) clients need to make tax payments to meet this year's due date, encourage them to pay electronically using Web Pay. This service debits their bank account on the day of their choice.

New for 2012 – View the status of payments made using Web Pay, cancel pending payments made using Web Pay, and save bank account information for future payments.

What to Do if You are a Victim of Identity Theft

If you or your client suspects identity theft has occurred, there are several steps that you will need to take to help protect your client. If you or your client receives a notice from us that leads you to believe someone has used your client's social security number (SSN) fraudulently, contact us immediately as directed in the notice. For more information on identity theft and steps you can take to resolve the issues, go to [our webpage](#) or [IRS](#) on the topic.

How to Handle Misdirected Direct Deposit Refund (DDR)

We process millions of DDR requests each year and receive rejections on approximately 60,000 DDRs due to incorrect routing or account numbers. Annually, we receive approximately 450 requests to research missing DDRs. These missing deposits generally are found in the taxpayer's bank account; however, some are discovered deposited in a third-party's account because the taxpayer provided an incorrect routing or account number. This type of errant deposit is called a misdirected DDR.

There are two simple ways you can prevent a misdirected DDR from happening. First, *before* using the banking information from last year's return ask your client if they have changed their banking information during the year. Second, remind your client to check the banking information on the return before submitting the return for processing.

How to resolve a misdirected DDR

If your client has not received their DDR, they should wait at least 25 working days from the authorized date of the refund (seven days for e-file returns and eight weeks for

paper-filed returns) before calling us. When they call, our agent will verify that the return was filed, the routing number and bank account information. Your client will need to fax the agent a bank statement showing that the deposit was not made to their account. Once we receive the fax, we will send your client FTB 3851, Taxpayer Affidavit of Misdirected Refund Deposit to complete and return to us. In addition, the taxpayer must notify their bank or financial institution in writing of the error and file a police report. Copies of the letter and the report must be attached to FTB 3851. After we receive FTB 3851 from the taxpayer, we will contact the bank or financial institution where the misdirected refund was deposited requesting information on the account holder who received the misdirected refund. Although, the bank or financial institution is required to provide us with the information within seven days of receiving our demand for information, it sometimes takes longer for us to receive the information. Once we receive the information from the bank or financial institution, a paper check refund will be issued to the correct taxpayer.

New Waiver of Mandatory e-Payment Requirement

Last year, it was brought to our attention by the tax practitioner community, that there was no permanent waiver of the mandatory e-pay requirement for taxpayers who have a permanent physical or mental impairment that prevents them from using a computer.

In response to their concerns, we determined that we could handle these permanent waiver requests administratively. Beginning March 28, 2012, taxpayers who are subject to the mandatory e-pay requirement can request a permanent waiver of the requirement.

To request the permanent waiver taxpayers must submit [FTB 4107](#), Mandatory e-Pay Election to Discontinue or Waiver Request with a signed physician's affidavit that a permanent physical or mental impairment prevents the taxpayer from using a computer. We will deny the taxpayer's request if the physician affidavit of permanent physical or mental impairment is incomplete or not attached to FTB 4107.

We will inform the taxpayer in writing whether the request for a permanent waiver is approved or denied.

Waiver of a Previously Assessed Mandatory e-Pay Penalty

When taxpayers file FTB 4107, they can check a box on the form and have us review their account for possible waiver of a previously imposed mandatory e-pay penalty if **all** the following exists:

- They received a mandatory e-pay penalty for payments made before receiving approval of their permanent physical or mental impairment request.
 - The date on the physician's affidavit of permanent physical or mental impairment pre-dates the assessment of the penalty.
 - The statute of limitations for filing a claim for refund is still open per Revenue and Taxation Code Section 19306.
-

Common Filing Errors

As the filing season crunch approaches, be aware of some common filing errors that may prevent or delay the processing of your client's return.

Common errors:

- **Taxpayer SSN/Declaration Control Number (DCN) or spouse SSN/DCN has been previously used on an e-filed return** - To avoid sending duplicate returns, do not retransmit an accepted California return when you retransmit a corrected federal return.
- **The prior year adjusted gross income (AGI) does not match our records, therefore you cannot sign your return electronically** - You can still e-file by signing Form 8453-OL, California Online e-file Return Authorization for Individuals.
- **Electronic signature (PIN) - Taxpayer's prior year AGI does not match our records** - Double check the taxpayer's prior year AGI from last year's California tax return or sign the e-file return using Form 8453/8453-OL.
- **Incorrect business start date used** - Do not use a business start date that is prior to the Secretary of State formation date for a domestic California entity.
- **Estimated tax payment amount claimed is different from total amount received** – Use MyFTB Account for online verification of estimated tax payments made by both individuals and businesses, or check personal tax records to verify estimated tax payments made. Also check line 92 on last year's Form 540A or 540, California Resident Income Tax Return, or line 102 of Form 540NR, California Nonresident or Part-Year Resident Income Tax Return to verify the amount requested to be applied to this year's estimated tax is correct and was included. Corrections made to last year's state tax return can affect total amount

paid for this year, online verification with MyFTB Account provides the most current information. .

For more information regarding common filing errors please refer to the article, "[Common e-file Error Codes and Tips on Solving Them](#)." Remember errors can occur while filing, we hope these reminders save you time and make this filing season a breeze.

Systemic Issue Management System (SIMS) Issue

Issue:

A self-employed taxpayer with a federal Employer Identification Number (EIN) and no employees files a California tax return using their SSN. The taxpayer receives a 4600 Letter requesting a return for income reported using their EIN.

Response:

- Our Integrated Nonfiler Compliance System (INC) has an extensive matching process in place for matching income records, however, if the INC case does not have the EIN listed as an AKA (also known as), this income record may create a new case.
- Although the EIN is reported on the Schedule C, there is currently no automated process in place to correlate the EIN on the 1099 in INC when it is reported by a Schedule C filer using their SSN.
- The Personal Income Tax Information System does not allow for secondary account numbers such as EINs.
- Contact us to explain the income was reported on the Schedule C.

eDemand – A Tool for Escrow Companies

Escrow company lien pay off requests are fast and easy with eDemand. eDemand is an online application that provides escrow and title companies a fast and simple way to submit a lien payoff request to us.

eDemands requests:

- Are processed faster than mailed or faxed demands.
- Provide instant delivery confirmation.
- Contain all the needed information we need to process your request.
- Are accurate and eliminate the need for our follow-up calls.
- Provide a comment field for your special instructions.

We would like to increase the use of eDemand and created a California Tax Tip on YouTube (coming soon) to highlight the benefits and encourage its use. We plan to display the video on our website, use during education and outreach efforts, and provide the escrow and title industry a direct link to the video.

The faster the escrow company receives our Demand to Pay the State Tax Lien, the sooner escrow can close. Implemented in July 2008, eDemand enables companies to go to our public website, input the required information, and receive a Demand to Pay a State Tax Lien in one to three business days compared to five to seven days for faxed lien payoff requests.

Currently 67 percent of all our lien payoff requests are made through eDemand. Our goal is to increase the usage of eDemand to 100 percent.

IRS Nationwide Tax Forums

Tax Forums registration is now open! Join tax professionals from across the country for three days of the latest tax law information, hands-on workshops, networking opportunities, and exhibits of the newest products and services to improve your business.

In 2012, the IRS Nationwide Tax Forums will visit the following cities:

Orlando, FL – June 19 - 21
Atlanta, GA – July 10 - 12
San Diego, CA – July 17 - 19
Las Vegas, NV – July 31 - August 2
Chicago, IL – August 21 - 23
New York, NY - August 28 - 30

Take advantage of this great opportunity to receive up to 18 CPE credits, network with your peers, learn from IRS subject matter experts as well as from our national association partners, or receive assistance with your most difficult case.

- \$211 Pre-registration.
- \$201 Members of partner associations.
- \$340 On-site or late registration.

For more information or to register, please visit the [Nationwide Tax Forum website](#).

Tax News Flashes

We flashed the following article on March 19:

Understanding Real Estate Tax Deduction

We've put together a [guide](#) to help you understand the reporting requirements for real estate tax deductions beginning with the 2012 California tax returns.

Ask the Advocate



Consider a Company “Status” When Buying or Selling

If your client is looking to buy or sell a company, they should consider the company’s “status” before they sign that dotted line. If a business has not kept up-to-date records and handled their financial obligations, their liabilities may be passed onto you. Businesses in active status are in good standing with the state of California. Companies that are “suspended or forfeited,” could mean your client may incur their debt, liabilities, and any other taxes. For companies that have failed to file, the purchaser may also be responsible for previous years’ tax returns and any associated tax liability. This information is located at the [Secretary of State's website](#). Searched the entity name and you will find a list of statuses which tell you

the company’s current standing is with the state of California. Here are some important criteria to notice when checking the “status” of a company:

- **Active:**
 - **Domestic entities** – The domestic entity has filed its formation document in California and is authorized to carry out its business activities.
 - **Foreign entities** – The foreign entity has registered and is authorized to transact intrastate business in California.
- **Suspended or Forfeited:** The business entity's powers, rights, and privileges were suspended or forfeited in California 1) by us for failure to file a return and/or failure to pay taxes, penalties, or interest; and/or 2) by the Secretary of State for failure to file the required Statement of Information and, if applicable, the required Statement by Common Interest Development Association. Information regarding the type of suspension can be obtained by ordering a status report.
- **Dissolved: Domestic corporations** – The business entity filed a Certificate of Dissolution and the powers, rights, and privileges of the entity have ceased in California.
- **Surrender: Foreign corporations** – The business entity surrendered its right to transact business in the state of California.

These are only a few things to consider when buying or selling a company, so make sure to research and take all the steps necessary. Also, you can use our new [Self-Serve Entity Status Letter online application](#) to receive an entity status letter discloses whether or not a business entity is in good standing with us.

Steve Sims, EA
Taxpayers' Rights Advocate

Follow me on Twitter at twitter.com/FTBAdvocate.

Event Calendar

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



Enterprise. Data. Revenue!

EDR in the News

2D Barcodes

By January 2014, select Personal Income Tax (PIT) and Business Entity (BE) paper-filed returns will require a two dimensional (2D) Barcode. Since 1991, we used scanband technology on PIT paper-filed returns to help us process more efficiently. Because the data capacity of a scanband is very limited, we are transitioning to the 2D barcode.

In January 2013, we will initiate the use of the 2D barcode for PIT paper-filed tax returns; however we will not discontinue the scannable Form 540 until December 2013. In January 2014, we will expand the 2D barcode to BE paper-filed returns.

The 2D barcode technology allows us to capture all the data from paper-filed returns quickly and efficiently. This means our paper-return processing will be faster and more accurate, resulting in faster refunds for taxpayers.

We will work with tax software developers to assist them in adopting 2D barcode technology to ensure a seamless transition from scanband technology.

Key Dates	
January 2013:	Initiate 2D barcode for PIT returns.
December 2013:	Discontinue scannable 540.
January 2014:	Require 2D barcode on all PIT and BE returns.

Sample of a 2D Barcode.



Criminal Corner

Laguna Beach Man Gets Jail for Fraud, Grand Theft, and State Income Tax Evasion

Former El Dorado Hills resident Richard R. Betchley, 62, was sentenced to one year in county jail, three years formal probation, and ordered to pay \$250,000 in victim restitution according to us.

Last December, Betchley pleaded guilty to three felony counts of state tax evasion, grand theft, and securities fraud, and admitted an aggravated white-collar crime enhancement for theft of \$750,000. He was arrested in 2009 on various charges relating to real estate fraud, mortgage fraud, securities fraud, grand theft, and state income tax evasion. With the consent and agreement of Betchley's victims, the El Dorado County District Attorney's Office agreed to less jail time due to Betchley's payment of \$200,000 in victim restitution prior to sentencing and an additional \$50,000 to us for our investigation costs.

According to our special agents, Betchley was the chief executive officer of several corporations and engaged in ongoing fraudulent conduct, whereby over the last several years he unlawfully and fraudulently obtained hundreds of thousands of dollars, and

committed felony grand theft relating to real estate fraud and securities violations. In addition, Betchley failed to file his 2005 through 2008 personal and corporate state income tax returns.

The sentence was handed down by El Dorado County Superior Court Judge Daniel B. Proud. El Dorado County Deputy District Attorney James Clinchard prosecuted the case. This was a joint investigation between the El Dorado County District Attorney's Office, the California Department of Corporations, and us.

Inside FTB

Happy Birthday Live Chat!



One year and 100,000 chats later, Live Chat is now a strong and vital part of our Public Service Team.

On March 11, 2011, with high hopes and expectations, Live Chat started out as a small pilot project to handle non-account personal income tax (PIT) chats. In one short year, we:

- Went from a pilot project to a permanent Live Chat unit.
- Expanded our service to non-account specific business entities (BE) chats in September 2011, in response to overwhelming requests from our customers.
- Handled more than **15,000** BE chats since our expansion.
- Continue providing excellent customer service.

Here is a sample of what our customers say about our Live Chat service:

- "This is much better than dealing with the phone tree. Nice to see some innovation at the FTB."
- "This was fabulous and I will definitely use it again! So much better than waiting on hold!"
- "Great way to wade through the red tape."

Tax News
April 2012

We are off to an exciting second year with our staff averaging more than **3,000** chats each week during our current filing season.

Happy Birthday Live Chat and team members!